Decision **PROPOSED DECISION OF ALJ LARSEN AND ALJ REGNIER**
(Mailed 5/17/2024)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2023. (U39M.)	Application 21-06-021

DECISION AUTHORIZING A RATEMAKING MECHANISM FOR ENERGIZATION PROJECTS PURSUANT TO SENATE BILL 410

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Appendix A: D.23-11-069 Authorized, PG&E Base Scenario Forecasted, and Incremental Contributions to Cap

DECISION AUTHORIZING A RATEMAKING MECHANISM FOR ENERGIZATION PROJECTS PURSUANT TO SENATE BILL 410

Summary

Pursuant to Senate Bill 410, the "Powering Up Californians Act," this decision authorizes Pacific Gas and Electric Company (PG&E) to record and track, in an interim memorandum account, costs for energization projects placed in service after January 1, 2024 that exceed the energization costs included in PG&E's annual revenue requirement authorized in Phase I of this proceeding. Energization costs include connecting new customers to the electrical distribution grid, upgrading electrical distribution capacity to existing customers, and building adequate electrical distribution and transmission capacity to accommodate future load. The maximum incremental revenue requirement associated with such capacity projects is capped at $144.310 million for 2024 projects, $91.568 million for 2025 projects, and $99.071 million for 2026 projects corresponding to capital of $975 million in 2024, $618 million in 2025, and $669 million in 2026, or $2,262 million total, which is 45 percent or $1,814 million less than the cumulative capital expenditures cap of $4,076 million that PG&E requested. The authorized sums equate to an increase in electric distribution revenue requirement of 1.98 percent for 2024, 1.18 percent for 2025, and 1.19 percent for 2026, and 4.03 percent cumulatively. PG&E had requested caps on energization costs of 2.5 percent of their authorized electric distribution revenue requirements for each year, equivalent to $1,264 million in 2024, $1,356 million in 2025, and $1,456 million in 2026. The caps authorized in this decision balance the goal of allowing interim rate recovery for incremental spending consistent with prioritizing energization and electrification goals with

concern for the affordability of electricity rates, including the risk of ratepayer funding of projects that may not be completed by December 31, 2026.

To reduce greenhouse gas emissions, PG&E's electrical distribution system must be substantially upgraded to allow new customers to be promptly connected to the electrical distribution system, allow existing customers increasing their load to have their service level promptly upgraded, and allow proactive planning, engineering, and construction of increased distribution system capacity to promptly energize future customers. Eligible costs are based on activity level energization cost estimates that will be verified by an audit paid for by PG&E.

The sums tracked through the interim memorandum account will be recovered through the Annual Electric True Up advice letters. These sums will be subject to reasonableness review and possible refund in the next general rate case (GRC).

The maximum revenue requirement impact in 2025-2027 from this mechanism is $715.14 million, with a maximum ongoing revenue impact of $335.95 million per year for approximately 40 years. Due to the significant and long-lived cost impact as well as rapidly evolving technology and policy solutions, an independent third-party auditor will evaluate PG&E's performance in utilizing energization practices and procedures and its future planning for electricity demand growth. The auditor's initial report will be provided to the Commission on March 1, 2025, and twice per year thereafter and will be posted on the Commission's internet website and reported to policy committees of the California Legislature.

This proceeding remains open to provide further guidance on metrics relevant to auditor reports, to consider revising this energization cost recovery

mechanism, and to establish reporting requirements for reviewing the reasonableness of PG&E's interim rate recovery in its next GRC.

1. Background

1.1. Procedural Background

On June 30, 2021, Pacific Gas and Electric Company (PG&E) filed Application (A.) 21-06-021, requesting approval of its Test Year (TY) 2023 general rate case (GRC).

On September 5, 2023, the assigned Commissioner issued an amended scoping memo and ruling to create a second phase of the proceeding to determine if the Commission should adopt a ratemaking mechanism to enable PG&E to recover the costs of electric distribution capacity and new non-residential electric distribution extension work due to accelerated electric vehicle (EV) adoption.

On September 14, 2023, the "Powering Up Californians Act" (Senate Bill (SB) 410 (Becker), Stats. 2023, ch. 394) was passed by the Legislature and was subsequently approved by Governor Gavin Newsom on October 7, 2023.

On September 15, 2023, PG&E served opening testimony requesting the establishment of a new balancing account for electric distribution capacity additions and new electric distribution extension work. PG&E requested its proposal be considered consistent with Public Utilities (Pub. Util.) Code[1] Section 937(b) specified in SB 410, which was pending at that time.

On October 4, 2023, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and The Utility Reform Network (TURN) filed motions requesting that PG&E's request to establish a new balancing

[1] All references to sections are to the California Public Utilities Code unless otherwise noted.

account for energization work be held in abeyance pending the passage of SB 410.

On October 10, 2023, the assigned Commissioner issued a Second Amended Scoping Memo to adjust the schedule of Phase II based on arguments raised in the October 4, 2023 motion and PG&E's response.

On November 17, 2023, the Commission issued Decision (D.) 23-11-069 for PG&E's TY 2023 GRC.

On December 22, 2023, the assigned Commissioner issued a Third Amended Scoping Memo to include pertinent requirements of SB 410.

On February 8, 2024, a prehearing conference was held to discuss issues, including the process of selecting an auditor within the time frame required by SB 410.

On February 27, 2024, the parties' stipulated timeline for selecting an auditor was adopted.

On March 6, 2024, the assigned Administrative Law Judges (ALJs) conducted an evidentiary hearing covering PG&E's energization projects and the process of recording them in the proposed ratemaking mechanism.

On March 22, 2024, the parties filed opening briefs.

On April 5, 2024, the parties filed reply briefs.

On April 10, 2024, Ernst and Young was selected as the auditor to perform the functions required by SB 410 based on the recommendation provided by PG&E, including bidders documents provided to the parties for comment.

On April 22, 2024, PG&E served a proposed auditor services contract, upon which the parties were given an opportunity to comment.

On April 30, 2024, the ALJs served a ruling requiring PG&E to modify the terms of the audit services contract to delegate to the Commission's Energy

Division the task of working with the auditor and PG&E to ensure that the scope of work in the audit contract adequately explains the process for Ernst and Young to conduct the audit and its deliverables, including the Work Plan, Monthly Progress, Findings and Summaries and Biannual Reports consistent with this decision.

PG&E served the revised, executed auditor services contract incorporating the above terms on June 7, 2024.

1.2. Senate Bill 410, Assembly Bill 50 and Related Proceedings

Among other goals, the Legislature passed SB 410 to meet the goal of carbon neutrality by reducing greenhouse gas emissions. To meet this goal, the state's electrical distribution system must be substantially upgraded, new customers must be connected to the electrical distribution system, existing customers must have their service level upgraded, and the speed at which such energization and service upgrades are performed must be improved.

Assembly Bill (AB) 50 (Wood), Stats. 2023, ch. 317, requires the Commission to determine the criteria for timely service when electric customers are energized, including, among other things, categories of projects that require different timelines. In support of timely service, AB 50 requires an annual workshop and reporting and directs PG&E to demonstrate that it has energized 80 percent of a subset of customers by December 1, 2024. This subset is comprised of customers who had submitted completed energization applications as of January 31, 2023.[2] Finally, AB 50 establishes interim annual reporting requirements on submitted, completed, and pending customer connection

[2] Pub. Util. Code Section 933.5(b).

requests and spending until such time as Order Instituting Rulemaking (R.) 24-01-018 sets timeliness and reporting criteria.[3]

The scope of Phase II of this proceeding includes the issues below that are necessary to ensure that each electrical utility timely recovers reasonable costs to achieve the policies and requirements of SB 410, including authorizing a ratemaking mechanism and meeting the requirements of reviewing the mechanism's implementation by a third-party auditor. Other requirements of SB 410 and AB 50 are being implemented in other Commission proceedings, including the rulemaking proceedings to establish energization timelines[4] and to modernize the grid for a high distributed energy resources future.[5] Other related proceedings include those aiming to electrify transportation,[6] providing demand flexibility,[7] and addressing extended operations at the Diablo Canyon Power Plant.[8]

As required by Section 937(b)(1)(5), this ratemaking mechanism prevents PG&E from recovering any costs in any year until its recorded spending for energization projects exceeds its annualized revenue requirements for energization projects established in Phase I of this proceeding through D.23-11-069.[9]

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[3] Pub. Util. Code Section 933.5(d).

[4] R.24-01-018.

[5] R.21-06-017.

[6] R.23-12-008.

[7] R.22-07-005.

[8] A.24-03-018.

[9] *See* D.23-11-069 at 435-436 for portions of Major Work Categories 06, 10, 16, and 46. Note also that PG&E's joint Case Management Statement filed on February 26, 2024, reflects that the parties stipulated that the evidentiary record for Phase I can be cited in Phase 2 briefing.

1.3. Submission Date

This matter was submitted on April 5, 2024 upon the filing of reply briefs.

2. Standard of Review and Related Statutes

Pub. Util. Code Section 451 provides that "all charges demanded or received by any public utility … shall be just and reasonable." Pursuant to Pub. Util. Code Section 454(a):

> A public utility shall not change any rate or so alter any classification, contract, practice, or rule as to result in any new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified.

PG&E has the burden of affirmatively establishing the reasonableness of all aspects of its application and must establish that it is entitled to the relief it is seeking.[10]

The Commission has held that when other parties propose a different result, they too have a "burden of going forward" to produce evidence to support their position and raise a reasonable doubt as to the utility's request.[11]

The standard of proof an applicant must meet in establishing that its request is just and reasonable is by the preponderance of the evidence.[12]

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[10] D.21-08-036, Decision on Test Year 2021 General Rate Case for Southern California Edison Company (August 19, 2021) at 9, citing to D.09-03-025, Alternate Decision of President Peevey on Test Year 2009 General Rate Case for Southern California Edison Company (March 13, 2009) at 8; D.06-05-016, Opinion on Southern California Edison Company's Test Year 2006 General Rate Increase Request (May 11, 2006) at 7.

[11] D.21-08-036, Decision on Test Year 2021 General Rate Case for Southern California Edison Company (August 19, 2021) at 10; D.20-07-038 at 3-4; D.87-12-067 at 25-26, 1987 Cal. PUC LEXIS 424, *37.

[12] D.19-05-020, Decision on Test Year 2018 General Rate Case for Southern California Edison Company (May 16, 2019) at 7; D.15-11-021, Decision on Test Year 2015 General Rate Case for Southern California Edison Company (November 5, 2015) at 8-9; D.14-08-032, Decision Authorizing Pacific Gas and Electric Company's General Rate Case Revenue Requirement for 2014-2016 (August 14, 2014) at 17.

Preponderance of the evidence usually is defined "in terms of probability of truth, e.g., 'such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.'"[13] To meet their burden, applicants must clearly delineate in their GRC filings how their forecasted costs are just, reasonable and necessary, as well as being separate and distinct from the costs they are presently, or in the future, tracking in balancing and memorandum accounts.[14]

When the necessity of PG&E's actions is called into question, the Commission may in some circumstances apply the prudent manager standard. Under the prudent manager standard, the Commission does not evaluate reasonableness based on hindsight but based on what the utility knew or should have known at the time it made its decision.[15] This standard reaches not just the activities and associated costs for which PG&E seeks recovery here but extends to the actions or inactions that resulted in those activities being necessary.[16]

The prudent manager standard is discussed here because the Commission is required to ensure in the reasonableness review in the next GRC that PG&E

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[13] D.08-12-058, Decision Granting a Certificate of Public Convenience and Necessity for the Sunrise Powerlink Transmission Project (December 18, 2008) at 19, citing to Witkin, Calif. Evidence, 4th Edition, Vol. 1 at 184.

[14] *See*, D.23-02-017, Decision Approving Settlement (February 2, 2023) at 26: "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."

[15] D.22-06-032, Decision Addressing Southern California Edison Company's Track 3 Request for Recovery of Wildfire Mitigation Memorandum and Balancing Account Balances (June 23, 2022) at 18.

[16] TURN Opening Brief at 40; D.18-07-025, Order Denying Rehearing of Decision (D.) 17-11-033 (July 12, 2018) at 3, 5, 6 (citing to D.87-06-021); D.21-11-036, Order Modifying Decision 19-09-025 and Denying Rehearing of Decision 19-09-025, as Modified (November 19, 2021) at 15.

prudently manages the expenditure of ratepayer funds such that funds are only used for a bona fide need and uses the best available tools and information to minimize these needs. As a result, this standard is discussed further in Sections 9 and 10 of this decision below.

3. Issues before the Commission

The December 22, 2023, Assigned Commissioner's Third Amended Scoping Memo and Ruling outlined the following issues within the scope of this proceeding:

- Does PG&E's request for a ratemaking mechanism meet the requirements of Pub. Util. Code Sections 937(b)-(c)?
- Do the cost categories proposed in PG&E's request for ratemaking mechanism align with SB 410's definition of energization projects in Pub. Util. Code Section 931(b)?
- Should the Commission authorize PG&E's requested ratemaking mechanism or another mechanism for energization projects consistent with Pub. Util. Code Sections 937(b)-(c) that were not included in forecasts underlying Phase I of PG&E's TY 2023 GRC?
- What should be the annual cap for the amount that PG&E can recover within the ratemaking mechanism established by Pub. Util. Code Section 937(b)(2). How should the cap be determined?
- How should the auditor requirements in Pub. Util. Code Section 938 be addressed in this proceeding?

The issues above encompass the scope of the SB 410 requirements addressed in this proceeding. This proceeding also addresses broader issues, including ensuring that 1) the interim rate recovery requested is aligned with the statutory definition of energization,[17] (2) the revenue expended for infrastructure

[17] Pub. Util. Code Section 931(b).

improvements is just and reasonable,[18] and (3) the manner in which the ratemaking mechanism is carried out supports other policy goals to the extent practicable.

No party contests the need to energize customers in the manner discussed above, and all parties propose a spending cap that increases PG&E's funding available for such energization. However, there is substantial disagreement as to which costs meet the definition of energization provided by Pub. Util. Code Section 931(b), what the monetary amount of the cap should be, and what will be required for reasonableness review in PG&E's subsequent GRC. The parties' disputed recommendations are discussed below.

4. Summary of PG&E's Ratemaking Proposal and Party Recommendations

PG&E proposes that it be allowed to establish the Electric Capacity New Business Interim Memorandum Account (ECNBIMA) to track energization costs leading to revenue requirements exceeding amounts approved in D.23-11-069 for 2024-2026.[19] These incremental revenue requirements would be recovered in rates annually.[20] The mechanism that PG&E proposes for recovery is the inclusion of these costs into the Distribution Revenue Adjustment Mechanism (DRAM) of the annual Electric True Up (AET) Advice letters[21] used to adjust rates to reflect previously examined and approved costs. PG&E notes that energization activities have been historically captured within its GRC under four Major Work Categories (MWCs). These MWCs are (1) MWC 16 – New

[18] Pub. Util. Code Section 451.

[19] PG&E Ex-PhII-01 at 27.

[20] Pub. Util. Code Section 937(b)(3).

[21] PG&E Ex-PhII-01 at 33.

Business Program; (2) MWC 06 – Distribution Line Capacity; (3) MWC 46 – Substation Capacity; and (4) MWC 10 – Work Requested by Others. Within each MWC are multiple Maintenance Activity Types (MATs) that are used to track different segments of work. PG&E initially asserted that all energization activities were within these four MWCs and all activities within MWCs 06, 16, and 46 fit the statutory definition of energization. As a result of intervenor and procedural inquiries, however, PG&E's final proposal qualifies or omits several portions of those MWCs' eligibility for inclusion in the mechanism.[22]

PG&E utilizes its historic "inception unit costs" for average projects[23] applied to a list of known projects and its forecast of future projects to arrive at an estimate of total energization related capital expenditure for the years 2024-2026. These capital expenditures are converted into predictions of incremental annual revenue requirement utilizing a "rule of thumb" (which we interpret to mean a standard approach or formula), and that incremental revenue requirement is compared to the authorized revenue requirement in D.23-11-069 for all electric distribution equipment to arrive at a metric for affordability. Based on its forecasted costs and project completions, PG&E forecasts incremental revenue requirements equal to 2.5 percent, 1.3 percent, and 1.9 percent of their authorized electric distribution revenue requirements in 2024, 2025, and 2026, respectively.[24] But PG&E requests that the Commission set the cap for the SB 410 revenue requirement higher at 2.5 percent of previously authorized electric distribution revenue requirement for each year from 2024 through 2026.[25]

[22] PG&E Reply Brief at 13, 18.

[23] Evidentiary Hearing Transcript at 3083, line 13.

[24] TURN Ex-PhII-01-E at 45.

[25] PG&E Ex-PhII-02 at 6.

PG&E's proposed annual 2.5 percent cap on electric distribution revenue requirement corresponds to capital expenditure caps of $1,264 million in 2024, $1,356 million in 2025, and $1,456 million in 2026, for a cumulative capital expenditures cap of $4,076 million.

PG&E requests the higher amount in 2025 and 2026 in excess of its forecasted annual incremental requirements to provide "headroom" for accelerating costs in these areas[26] and in anticipation of increases in electric demand as a result of electrification.[27] Capping this amount to 2.5 percent of annual electric distribution revenue is proposed as the most direct way to ensure authorized incremental funding stays within the Commission's and PG&E's affordability goals.[28]

PG&E recommended that Ernst and Young be retained as the auditor to perform the functions required by Section 938. No party objected to the selection of this auditor made by ruling on April 10, 2024, and the Commission ratifies that selection. Discussion of the audit appears in Sections 9 and 10 below.

The Coalition of Utility Employees (CUE) strongly supports all aspects of PG&E's proposal.[29]

Tesla supports PG&E's request, noting that approximately 2,000 of its electric vehicle charging stalls have been waiting 2-5 years to be energized,[30] Tesla also supports PG&E's proposed cap.[31]

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[26] PG&E Opening Brief at 29.

[27] PG&E Opening Brief at 25.

[28] PG&E Opening Brief at 24.

[29] CUE Opening Brief at 20.

[30] Tesla Ex-PhII-01 at 7.

[31] Tesla Ex-PhII-01 at 10.

Cal Advocates recommends a cap that is reduced by approximately one quarter and calls for the exclusion from the ratemaking mechanism of any MWC that is not exclusively used to record energization.[32] Cal Advocates' recommendation for a lower cap is intended to ameliorate the effect on affordability.[33] Cal Advocates further notes that there is no requirement that the Commission authorize a one-way balancing account as the ratemaking mechanism, noting that the term "ratemaking mechanism" and not "balancing account" appears in SB 410, Pub. Util. Code Section 937(b).[34] Cal Advocates asserts that many of the MATs are not directly tied to the energization of a particular customer, and thus should not qualify as an energization cost.[35]

TURN calls for a reduction in the cap, noting that affordability concerns should guide the Commission's implementation of SB 410.[36] In support of the proposed initial reduction of the cap by approximately one third,[37] it calls for excluding MATs unless their activity is driven by applications for service from new or existing customers.[38] In addition to the exclusion of MATs, it calls for a reduction in forecasts of customer connections, pointing to a history of forecasting that exceeds actual connections. Having proposed significant reductions to the cap amount, TURN identifies potential funding streams to offset the revenue required, strategies for reducing the need to use the ratepayer

[32] Cal Advocates Opening Brief at 3.

[33] Cal Advocates Opening Brief at 6.

[34] Cal Advocates Opening Brief at 6.

[35] TURN Reply Brief at 3.

[36] TURN Opening Brief at iii.

[37] TURN Ex-PhII-01 at 10.

[38] TURN Opening Brief at 16.

mechanisms, and areas of inquiry for the auditor. Finally, TURN suggests data tracking, metrics, and reporting requirements for the purpose of ensuring that a meaningful reasonableness review can be conducted in PG&E's next GRC proceeding.

Walmart asserts that PG&E's proposal shifts risks typically borne by the utility onto customers,[39] and concludes that the cap is unreasonably and unjustifiably high.[40] Walmart proposes an approximately two-thirds reduction in the cap amount. It notes that the mandate provides the Commission with limited autonomy on cost recovery and that "the clearest path to mitigate some of the cost and risk exposure, while still significantly funding the company's efforts, is to simply reduce the amount of investment allowed."[41] In addition, Walmart raises concerns about the protection of confidential and competitively sensitive information.[42] Finally, Walmart echoes TURN's request that PG&E demonstrate that the costs tracked within the ratemaking mechanism be related to energization projects and supports the reasonableness review factors outlined by TURN.[43]

5. Requirements of Section 937

Pub. Util. Code Section 937(c) lists the information required of PG&E in its request for a ratemaking mechanism. PG&E's testimony and admitted exhibits[44]

[39] Walmart Ex-PhII-01 at 15-16.

[40] Walmart Opening Brief at 11.

[41] Walmart Ex-PhII-01 at 17.

[42] Walmart Ex-PhII-01 at 18.

[43] Walmart Opening Brief at 14-15.

[44] PG&E Ex-PhII-01 through PG&E Ex-PhII-06, CUE Ex-PhII-01, CALPA Ex-PhII-01, CALPA Ex-Ph-02 WP, TURN Ex-PhII-01, TURN Ex-PhII-01-E, TURN Ex-PhII-02, Walmart Ex-PhII-01-E, March 6, 2024 Evidentiary Hearing Transcript.

satisfy this requirement. For example, PG&E's listing of energization-related costs[45] satisfies the requirement of Section 937(c)(1) for a detailed summary of energization costs authorized in its current GRC. Accordingly, the Commission finds that PG&E's request facially satisfies the requirements of Section 937(c).[46]

The analysis in this decision focuses on the type of ratemaking mechanism, the type of energization activity (including MWCs and MATs) eligible for that mechanism, the amount of the annual cap, and the conditions PG&E must satisfy for the Commission's reasonableness review. Section 937(b) provides the requirements that determine the conditions that must be met before the Commission authorizes the requested ratemaking mechanism, which are discussed below.

5.1. Tracking of Costs for Energization Projects

Following an electrical corporation's request for a ratemaking mechanism, Section 937(b)(1) requires the Commission to authorize the electrical corporation to track costs for energization projects placed in service after January 1, 2024, that exceed the costs included in the electrical corporation's annual authorized revenue requirement for energization, as established in the electrical corporation's GRC[47] or any other proceeding.

5.2. The Annual Cap

Section 937(b)(2) requires the Commission, after reviewing relevant information, to establish an up-front annual cap on the amount that each electrical corporation can recover within the mechanism.

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[45] PG&E Ex-PhII-01 at 8-13, PG&E Ex-PhII-02 at 4-5, PG&E Ex-PhII-04 at 1-3.

[46] PG&E Ex-PhII-01 at 8-13.

[47] D.23-11-069 at 437. *See also* TURN Opening Brief at 26.

5.3. Authorization of Recovery through an Annual Rate Adjustment and Reasonableness Review

The Commission finds that PG&E's request to establish a ratemaking mechanism and submit energization costs through its AET Advice Letter[48] meets the requirement that the proposed ratemaking mechanism recover costs through an annual rate adjustment.

In accordance with Section 937(b)(3), the Commission requires PG&E to demonstrate in its next GRC application that the costs incurred were just and reasonable. Any costs that the Commission finds were not just and reasonable shall be subject to refund. Discussion of the requirements for a meaningful determination of just and reasonable spending is found in Section 10 below.

5.4. Tracking of Energization Costs

Section 937(b)(4) requires only costs associated with energization be included in the ratemaking mechanism and requires costs to be tracked using the same cost categories as used by the electrical corporation in its GRC application. PG&E has identified Major Work Categories (MWCs) 06 ("Distribution Line Capacity"), 10 ("Work Requested by Others"), 16 ("New Business"), and 46 ("Distribution Substation Capacity") as the capital cost categories within which PG&E's energization related work is tracked. PG&E has identified MWC EV (New Business Service Inquiry), MWC EW(Relocations), and MWC FZA (General Engineering) as the expense cost categories within which energization related work is tracked.[49] The Commission finds that PG&E's request for a ratemaking mechanism, as articulated in their initial and supplemental testimony, satisfies the requirement of Section 937(b) but does not provide

[48] PG&E Ex-PhII-01 at 33.

[49] PG&E Ex-PhII-04 at (pdf) 2-3.

sufficient granularity to determine which costs within these accounts are energization related.

PG&E, in its original filing and subsequent data requests, asserted that all work performed under the original[50] MWCs is energization work. Later PG&E conceded that MWCs 06, 10 and 16 contain non-energization work and said it does not have a breakout of expense costs specifically for energization. The Commission finds that merely being tracked in a MWC that contains energization costs is not sufficient to show that a project is energization work. Indeed, the Commission finds that MWC is not a sufficiently granular unit of measure and directs PG&E to track their costs at the more granular MAT or line item level. As discussed below in Section 6, this decision prohibits PG&E from tracking non-energization costs within a MAT through the SB 410 ratemaking mechanism.

5.5. Mechanism Tracking is Authorized After Recorded Spending for Energization Projects Exceeds PG&E's Revenue Requirements Established in Phase I of PG&E's GRC

PG&E proposes to record incremental costs only after the D.23-11-069 (the Phase I decision in this GRC) authorized annual revenue requirements for each applicable MWC have been exceeded.[51] The Commission understands this to mean that PG&E is proposing to expend the full authorized capital expenditure amount approved for each MWC in D.23-11-069 prior to recording any costs

[50] PG&E asserted a historical average of 22 percent energization work for its subsequently added MWC 10.

[51] PG&E Ex-PhII-01 at 5.

from that MWC into the ratemaking mechanism.[52] Consistent with the Section 5.4 discussion above about the lack of granularity in MWCs, the Commission directs PG&E to track costs at the MAT level and only record costs to the ratemaking mechanism once the annual amount authorized for that MAT in D.23-11-069 has been expended on energization related projects.[53]

6. Alignment of the Cost Categories with the Senate Bill 410 Definition of Energization Projects

The statutory definition[54] of energization is centered upon connecting customers and provisioning those customers with either new or upgraded capacity to serve known or planned load. Since providing capacity is the critical element of this definition and whether a project directly increases electric capacity is the criterion for recording its costs in the ratemaking mechanism, the Commission defines capacity based on the following definition used by PG&E:

> The number of amperes of electric current a wire will carry without becoming unduly heated; the capacity of a machine, apparatus, or devices is the maximum of which it is capable under existing service

[52] Note that in Section 937(b)(5) the terms "spending" and "revenue requirement" are not comparable. Capital expenditures and expenses are inputs into the formula for revenue requirement in D.23-11-069 at 29. As such, Section 937(b)(5) prevents PG&E from recovering any costs through the proposed ratemaking mechanism until its recorded spending for energization projects exceeds it annualized spending for energization projects established in D.23-11-069.

[53] D.23-11-069 specified authorized annual amounts at the MWC level of granularity. Corresponding annual capital expenditure values by MAT or line item can be found in PG&E Ex-PhII-04 at (pdf) 4-7.

[54] Section 931(b) defines energization as: connecting customers to the electrical distribution grid and establishing adequate electrical distribution capacity or upgrading electrical distribution or transmission capacity to provide electrical service for a new customer, or to provide upgraded electrical service to an existing customer. The determination of adequate electrical distribution capacity includes consideration of future load.

> conditions; the load for which a generator, turbine, transformer, transmission circuit, apparatus, station, or system is rated.[55]

PG&E claims that MWC 06, 10, 16, and 46 are within the plain meaning[56] of the Section 931 definition of energization. All parties either concur with PG&E's claim of alignment between the MWCs and Section 931 or propose inclusion of some portion of costs in all the identified MWCs. CUE notes: "Regular maintenance on distribution system infrastructure that does not increase distribution capacity to meet load growth is not energization work."[57] PG&E acknowledges that certain activities, such as planned and "like for like" replacements[58] would not be included.

PG&E asserts that it may adopt new accounting practices and MATs within these MWCs as energization activities evolve and asserts that it should be permitted to record costs within the ratemaking mechanism, so long as those costs are associated with energization as defined in SB 410.[59]

TURN asserts that while the MWCs that PG&E proposes contain energization work, not all the work within them fits the definition of energization in Section 937(b).[60] It notes that the MWCs are comprised of line items corresponding to MATs and identifies MATs it believes to be extraneous to energization efforts. TURN asserts that costs within MWC 06, 10, 16, and 46

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[55] The Commission takes official notice of PG&E Transmission Interconnection Handbook Glossary, at GL-2 available at: https://www.pge.com/assets/pge/docs/about/doing-business-with-pge/gloss.pdf.

[56] PG&E Opening Brief at 10.

[57] CUE Opening Brief at 8.

[58] March 6, 2024 Evidentiary Hearing Transcript at 3089-3090.

[59] PG&E Reply Brief at 33.

[60] TURN Reply brief at 6-8.

should be divided into "non-energization and energization for the purposes of determining eligibility."[61] It cites PG&E's data response stating "there is no linkage between applications for service and the capacity projects driven by the applications" as the rationale for excluding many MATs within MWC 06[62] and MWC 46[63] from eligibility. This selection of MATs would eliminate all line items that are not directly related to the provision of service to new customers, or the upgrade of such service for existing customers, activity known as "new business."[64] TURN also proposes that PG&E be directed to note whether a project is associated with a new customer or with an upgrade to an existing customer.[65]

Cal Advocates contends that the Commission should not include any MWC that is not exclusively used to record energization costs in the proposed ECNBBA.[66] Cal Advocates takes issue with PG&E's interpretation of energization as including capacity work that is not tied to a particular customer's current load.[67]

There is significant disagreement around which line items, or MATs, within each MWC contain bona fide energization activities and should therefore be eligible to have their costs recorded. The areas of consensus and disagreement are detailed and discussed for each MWC below.

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[61] TURN Opening Brief at 14.

[62] TURN Opening Brief at 16.

[63] TURN Opening Brief at 23.

[64] TURN Ex-PhII-01-E at 13-14.

[65] TURN Opening Brief at 12-13.

[66] Cal Advocates Opening Brief at 3.

[67] Cal Advocates Reply Brief at 3.

6.1. MWC 10 (Work Requested by Others) Party Positions

MWC 10 ("Work Requested by Others"), encompasses the relocation of existing and removal of idle electric distribution facilities.[68] PG&E did not include MWC 10 as a part of its initial filing. Upon review, PG&E utilized data from 2021-2022 and found that 22 percent of activity within this MWC supports energization-related projects,[69] and subsequently amended its filing to include the New Business- and Government- related line items[70] in this MWC.

Cal Advocates is concerned about inclusion of MWC 10 costs that are not incremental or due to energization and suggests conditions that should be met prior to recording costs.[71] One condition requires that costs can only be recovered after both the energization related amount and the total authorized amount for this MWC have been recorded. PG&E agrees to this condition.[72]

TURN reviewed the expenditures from 2020-2022 rather than the two years (2021-2022) used by PG&E and concludes that the appropriate percentage of energization related spending is 24 percent rather than the 22 percent computed by PG&E.[73] TURN's recommendation to use the 24 percent value is acceptable to PG&E.[74]

[68] PG&E PhII-02 at 1.

[69] PG&E PhII-02 at 3.

[70] PG&E PhII-02 at 3.

[71] CALPA PhII-01 at 12.

[72] PG&E Opening Brief at 23.

[73] TURN Opening brief at 18.

[74] PG&E Opening Brief at 23.

6.2. MWC 46 (Distribution Substation Capacity) Party Positions

MWC 46 ("Distribution Substation Capacity") is used to track upgrades within distribution substation equipment forecast to have a capacity deficiency.[75]

Table 6-A: MATs within MWC 46

Maintenance Activity Type	Description
46A	Normal Capacity
46F	Emergency and Operational Capacity
46H	NB Related Capacity
46N	New Substation Land Purchase

PG&E asserts that all the MATs within this MWC are energization related.[76]

TURN takes issue with the inclusion of the full set of MATs in MWC 46; their position is that the only MAT that should be eligible for the ratemaking mechanism is 46H – New Business Related/Emergent substation work.[77]

Similarly, Cal Advocates takes issue with the MATs within MWC 46 that correspond to upstream capacity work. They argue that this activity should not be eligible for inclusion in the ratemaking mechanism as it is not tied to an individual customer but instead relates to general or forecasted deficiencies.[78]

[75] PG&E PhII-01 at 7.

[76] PG&E Reply Brief at 13.

[77] TURN Opening Brief at 25.

[78] TURN Opening Brief at 8.

6.3. MWC 06 (Distribution Line Capacity) Party Positions

The work included in MWC 06 is intended to prevent equipment damage or failure due to excessive heating and includes the following MATs.[79]

Table 6-B: MWC 06 MATs

Maintenance Activity Type	Description
06A	Feeder Projects Associated with Substation Work
06B	Overloaded Transformers
06D	DP Managed Circuit Reinforcement
06E	PS Managed Circuit Reinforcement
06G	Voltage Complaints
06H	NB related capacity & emergent
06I	Operational capacity
06K	Power Factor
06P	Enable DG
06#	Line reg revolving stock

PG&E first argued that all MATs within MWC 06 are energization work.[80] It later acknowledged that MAT 06P costs that "enable DG" (distributed generation) should not be eligible for recovery,[81] as the definition of energization excludes supply side resources and distributed generation is categorically a supply side resource.

TURN recommends that the only work within MWC 06 that should be eligible for interim recovery is MAT 06H (New Business related capacity and

[79] PG&E Ex-PhII-01 at 7.

[80] PG&E Ex-PhII-01 at 27.

[81] PG&E Opening Brief at 12.

emergent).[82] Cal Advocates shares TURN's position, asserting that the other MAT costs are not associated with a particular new customer request.[83]

6.4. MWC 16 (New Business Program) Party Positions

MWC 16 is used to track the costs of building new underground and overhead primary distributions systems and their associated secondary systems, as well as services to nonresidential customers.[84] This category accounts for the majority of the work and costs proposed under the ratemaking mechanism.

Table 6-C: MWC 16 Line Items

Major Work Category	Line Item	Maintenance Activity Type
16	1	Residential Connects
	2	Nonresidential Connects
	3	PEV
	4	Transformer Purchases
	5	Transformer Scrapping
	6	"AB 50 Projects" - Forecasting and Escalation Adjustment

[82] TURN Opening Brief at 25.

[83] Cal Advocates Reply Brief at 3.

[84] PG&E Ex-PhI-04 at 18-13.

Similarly to MWC 06, PG&E initially argued that all line items in MWC 16 contain energization work and should be eligible for the ratemaking mechanism,[85] but revised its position[86] after intervenor dispute[87] of that position.

TURN does not contest that there are valid costs within each line but advocates for disallowance of Transformer Purchase and Scrapping costs and a reduction in Residential and Nonresidential Connects costs. TURN's position is that PG&E has consistently overpredicted demand for connection activities in lines 1 ("Residential Connects") and 2 ("Nonresidential Connects"). TURN states that EV charging station energization is generally covered by the IOUs' Electric Vehicle Infrastructure Rules adopted pursuant to AB 841.[88] TURN cites alternate drivers for line 4 ("Transformer Purchases") and line 5 ("Transformer Scrapping") in the Phase I record and asserts that these costs should be disallowed as PG&E has not shown them to be energization related. As a result, TURN advocates for a reduction of the number of projects in order to strictly meet the requirement of AB 50.[89]

With respect to line 3 ("PEV"), TURN urges the Commission to begin its evaluation of the electric IOUs' EV Infrastructure Rules as soon as possible, including whether to require customers to contribute to the cost of service extensions. New IOU EV Infrastructure Rules are mandated by AB 841 and

[85] PG&E Ex-PhII-01 at 27.

[86] PG&E Opening Brief at 19.

[87] TURN Ex-PhII-01-E at 9.

[88] TURN Reply Brief at 28.

[89] TURN Ex-PhII-01-E at 11.

Resolution E-5167, and PG&E's implementation of Resolution E-5167 through Vehicle Infrastructure Rule 29[90] currently does not require such contributions.[91]

Cal Advocates notes that there is no statutory requirement that the SB 410 ratemaking mechanism support AB 50 goals and asserts that the funds already authorized in D.23-11-069 are sufficient to support AB 50 targets.[92]

6.5. Discussion of Capital Activity Categorization

All parties agree that:

- New Business Related MWC 10 includes some energization costs that can be included within the ratemaking mechanism.
- Two MATs within MWC 06 include energization costs: MAT 06H and MAT 06P.
- Within MWC 46, MAT 46H contains energization costs.
- Within MWC 16, Residential Connects and Nonresidential Connects line items contain energization costs that are eligible for inclusion within the ratemaking mechanism.

The Commission finds that there is some energization related activity within each of the MWC cost categories that PG&E is proposing to include in the ratemaking mechanism. As noted above, however, MWCs do not provide sufficient granularity because not all work performed within them is energization related. The Commission finds it reasonable to require that eligibility for interim recovery through the ratemaking mechanism be set at the MAT or line item level. Accordingly, spending for energization projects must exceed authorized expenditures for that MAT or line item prior to recording any

[90] PG&E implements AB 841 in its Tariff Rule 29.

[91] TURN Reply Brief at 28.

[92] Cal Advocates Reply Brief at 5.

incremental cost for recovery in the ratemaking mechanism. Given the mix of energization related and non-energization related work within these categories, the Commission finds more detailed information and tracking is required to assess the eligibility of the activity proposed for interim rate recovery. The information that substantiates a project as energization related, for submission to the auditor and the next GRC proceeding, shall be detailed by MAT. Any project that is submitted for interim recovery without the required information shall be deemed ineligible and the associated costs subject to refund.

The rationale for granting or denying each line item or activity type is detailed within this section. Some line items have a minority of their activity related to energization and merit additional conditions to ensure that interim recovery is only provided for energization. Those conditions are further detailed in this section.

To ensure the requirements of this decision and statute[93] are met, PG&E may not modify what is included in MATs or add new MATs to the MWCs allowed in this decision.

MWC 10 ("Work Required by Others") contains several line items and a minority of its activities are associated with energization. The energization activities are all within the New Business- or Government- related line items. The Commission finds TURN's analysis that energization-related projects account for 24 percent of past costs is reasonable and an acceptable basis for forecasting future energization costs. The Commission also finds that Cal Advocates'

[93] Pub. Util Code Section 937(b)(4): "Requires only costs associated with energization to be included in the mechanism and requires costs to be tracked using the same cost categories as used by the electrical corporation in its general rate case application."

concerns around including non-incremental costs in the interim ratemaking mechanism and their proposed solution are reasonable.

PG&E may track MWC 10 costs in the ratemaking mechanism once three conditions have been satisfied. First, the cost must be related to New Business- or Government- related line items as those are the only energization activities within MWC 10. Second, the full MWC 10 amount authorized in D.23-11-069 must have been expended prior to recording any amounts under the MWC 10 lines in the ratemaking mechanism to meet the requirement that GRC authorized costs be exhausted. Third, at least 24 percent of the MWC 10 costs used to satisfy the second condition must have been expended on new business- or government- related energization projects.

MAT 46A ("Normal Capacity") projects are comprised of work to install equipment (e.g. transformers, conductors) that can withstand the maximum power flows needed. This maximum flow is based on either forecast load during peak periods or back-flow from distributed generation during off-peak periods and compared to equipment's normal capacity ratings.[94] TURN and Cal Advocates argue that these projects are not eligible as they are not directly attributable to a single customer's load. Peak loads, however, are comprised of the loads attributable to the customers served by that distribution substation. As a result, the Commission finds that the MAT 46A projects based on actual or forecast peak load are eligible for the ratemaking mechanism. In contrast, projects identified by MAT 46A because of back-flow due to supply side

[94] PG&E Ex-PhI-04 at 17-23.

resources do not meet the definition for energization,[95] and therefore, are not eligible for the ratemaking mechanism.

MAT 46F ("Emergency and Operational Capacity") projects are intended to provide flexibility during emergency events or other abnormal grid operation. Energization is defined in terms of providing capacity to serve known or planned load, and capacity is a metric whose application is based upon existing service conditions due to normal grid operation. The Commission finds that because MAT 46F projects are not intended to serve known or planned loads, and instead are used to address abnormal grid operation, they are not eligible for the ratemaking mechanism.

MAT 46H ("New Business Related Capacity") projects address capacity deficiencies for New Business demand increases, largely driven by identified projects.[96] No party objects to inclusion of this category. As a result, the Commission finds that MAT 46H projects driven by the need to serve peak load are eligible for the ratemaking mechanism.

MAT 46N ("New Substation Land Purchase") projects consist of land acquisition and construction of new substations.[97] PG&E proposed this MAT by appending it to a table[98] with no further explanation or assertion that these assets will enter service prior to 2027. The Commission finds that such work may be associated with providing electrical service to a new customer or upgrading electrical service to an existing customer, as opposed to another purpose. The Commission finds it reasonable to allow MAT 46N projects to be eligible with

[95] Pub. Util. Code Section 931(b).

[96] PG&E Ex-PhI-04 at 17-26.

[97] PG&E Ex-PhI-04 at 17-28.

[98] PG&E Opening Brief at 11.

exceptions for the ratemaking mechanism and clarifies that no recovery is permitted for these costs until the substation constructed on such land has energized significant customer load.

MAT 06A ("Feeder Projects Associated with Substation Work") is used to record feeder work associated with MAT 46A ("Normal Capacity"). MAT 06A projects that are in support of peak load driven MAT 46A work are eligible for the ratemaking mechanism.

MAT 06B ("Overloaded Transformers") is used to record work associated with transformers that have been identified by SmartMeter data as overloaded. This overload is addressed by replacement with a larger transformer or adding a transformer and transferring load.[99] The Commission finds it reasonable to allow MAT 06B projects to be eligible for the ratemaking mechanism.

MATs 06D and 06E are used to record functionally equivalent work with varying scope initiated by planning or project services personnel. These circuit reinforcement projects install or replace circuit conductors or devices to meet voltage, operational and capacity needs.[100] As such, the Commission finds it reasonable to allow MAT 06D and 06E projects required to meet capacity needs to be eligible for the ratemaking mechanism.

MAT 06G ("Voltage Complaints") work addresses customer voltage complaints driven by increased customer load not yet associated with a customer application.[101] PG&E has not shown that voltage complaints are associated with increased customer load. The Commission finds that PG&E has not met its

[99] PG&E Ex-PhI-04 at 17-31.

[100] PG&E Ex-PhI-04 at 17-32.

[101] PG&E Ex-PhI-04 at 17-33.

burden and that MAT 06G projects are not eligible for the ratemaking mechanism.

MAT 06H ("New Business Related Capacity, Emergent Capacity") is used to record capacity reinforcement projects needed to eliminate overloads due to new developments or load increase from existing customers. The Commission finds it reasonable to allow MAT 06H projects to be eligible for the ratemaking mechanism.

MAT 06I ("Operational Capacity") is used to record work on the feeder that is analogous to MAT 46F work within the substation and is disallowed for the same reasons.

MAT 06K ("Power Factor") is used to record the cost of installing Supervisory Control and Data Acquisition devices on existing, strategically located capacitor banks.[102] These projects provide instrumentation but do not provide any additional capacity and therefore do not meet the definition of energization projects. The Commission finds that MAT 06K projects are not energization projects and are not eligible for the ratemaking mechanism.

MAT 06P ("Enable Distributed Generation") is used exclusively to support supply-side resources and does not meet the definition of energization projects. The Commission finds that MAT 06P projects are not energization projects and are not eligible for the ratemaking mechanism.

MAT 06# ("Line Regulator Revolving Stock") is used to support revolving and rebuilding line voltage regulators. Line voltage regulation is necessary for grid operation but does not in and of itself provide additional capacity. This activity, in particular, is engaged in like-for-like replacements, and therefore,

[102] PG&E Ex-PhI-04 at 17-36.

does not meet the definition of energization. As such, the Commission finds that MAT 06# projects are not energization projects and are not eligible for the ratemaking mechanism.

Except for transformer purchases and scrapping, no party objects to the inclusion within the ratemaking mechanism of proposed activities within MWC 16. The Commission finds it reasonable for PG&E to include the activities described[103] within the Residential Connects, Non-Residential Connects, and the majority[104] of the AB 50 Projects line items within the ratemaking mechanism.

While PG&E initially included all transformer purchases and scrapping in its ratemaking request, it later estimated that transformer purchases and scrapping line items should be reduced by approximately two-thirds. The eligibility factor utilized in PG&E's calculations is 30 percent.[105] We find it reasonable to allow this reduced level of eligibility. PG&E may include MWC 16 transformer costs in the ratemaking mechanism once it satisfies three conditions. First, the cost must be related to the installation of transformers that increase capacity in response to an actual or projected increase in load. Second, the full D.23-11-069 authorized MWC 16 capital expenditure amounts for the transformer purchasing and scrapping lines must have been expended prior to recording any amounts under the MWC 16 transformer purchasing or transformer scrapping lines in the ratemaking mechanism. Third, 30 percent of the MWC 16 line item amounts used to satisfy the second condition must have

[103] TURN Ex.-PhII-01-E at (pdf) 47-48.

[104] Approximately 2 percent (194 of 10,524) of the AB 50 jobs are PEV and the Rule 29 component of these is ineligible for interim recovery.

[105] TURN Ex.-PhII-01-E at (pdf) 47.

been expended for the MWC 16 transformer purchase or transformer scrapping energization projects.

Regarding the plug-in electric vehicle (PEV) MAT, PG&E stated in Phase I that "the PEV portion of MWC 16 covers the installation of electric distribution infrastructure (i.e., trenching, concrete, or electrical wires) on the utility side of the meter, previously partially funded by third-party non-residential customers."[106] This language refers to costs covered under Rule 29 for separately metered EV projects. Thus, PG&E's forecasted costs for the PEV MAT code are largely attributable to Rule 29 projects. In Resolution E-5167, which implements AB 841, the Commission allowed for "evaluating the EV Infrastructure Rules all at once in 2025." As AB 841 expresses a preference for waiting until an IOU's "next GRC" to consider Rule 29 cost forecasts and/or cost reasonableness, the Commission excludes the Rule 29 projects within the MWC 16 PEV line item from the costs eligible for rate recovery through the ECNBIMA. Accordingly, the Commission directs PG&E to maintain its existing methodology for tracking all Rule 29 costs in its EV Infrastructure Rule Memorandum Account for the Commission's review and decision in the next GRC. To the extent that costs within the PEV line item in MWC 16 are incurred under Rules 15 and 16, those costs are eligible for the ratemaking mechanism. The Commission also notes that approximately 2 percent of the AB 50 line item in MWC 16 is comprised of PEV jobs and directs PG&E to attribute those costs using the existing Rule 15, 16, and 29 methodologies.

[106] PG&E Ex-PhI-01 at 22.

6.6. Discussion of Expense Activity Categorization

SB 410 contains requirements[107] and reporting obligations[108] around staffing levels. Based on the discussion above, the Commission finds that the work proposed in the following MWCs and MATs are energization related costs eligible for recording within the SB 410 ratemaking mechanism:

Table 6-D: MAT or Line Item Eligibility for Ratemaking Mechanism

MWC	MAT	Eligible as proposed	Eligible Contingent on Energization percentages	Eligible if Supporting Energization Projects	Eligible with Exceptions	Not Eligible
10	Energization Related WRO		X			
46	46A - Normal Capacity	X				
	46F- Emergency and Operational Capacity					X
	46H - New Business Related Capacity	X				
	46N - New Substation Land Purchase				X	

[107] Pub. Util. Code Sections 935(b) and 933(e).

[108] Pub. Util. Code Section 935(a).

MWC	MAT	Eligible as proposed	Eligible Contingent on Energization percentages	Eligible if Supporting Energization Projects	Eligible with Exceptions	Not Eligible
06	06A - Feeder Projects Associated with Substation Work	X				
	06B - Overloaded Transformers	X				
	06E - DP Managed Circuit Reinforcement	X				
	06E - PS Managed Circuit Reinforcement	X				
	06G - Voltage Complaints					X
	06H - New Business Related Capacity and Emergent	X				
	06I - Operational Capacity					X
	06K - Power Factor					X
	06P - Enable DG					X
	06# - Line Regulator Revolving Stock					X
16	Residential Connects	X				
	Nonresidential Connects	X				
	PEV				X	
	Transformer Purchases		X			
	Transformer Scrapping		X			
	"AB 50" - Forecasting and Escalation Adjustment				X	
EV	EVA			X		
	EVB			X		
	EVB-OK to Serve			X		

The Commission authorizes PG&E to track energization-related costs exceeding those authorized in D.23-11-069 for costs in Table 6-D. PG&E shall collect and retain the data whose development is discussed in Section 10.7 for review by the third-party auditor. Since the SB 410 definition of energization costs distinguishes between new and existing customers, PG&E's data shall separately track data for projects initiated by existing customers from projects for new customers.

7. Ratemaking Mechanisms Consistent with SB 410

7.1. PG&E's Proposal and Function of Existing Advice Letters

PG&E proposes to recover energization costs through electric distribution rates by transferring the balance in its proposed ECNBBA annually to the DRAM[109] in their preliminary and updated AET Advice Letters.

The DRAM is a line item in the AET used to record and recover the authorized distribution revenue requirements and certain other distribution-related authorized costs.[110] The accounts in the AET are examined and approved in the prior GRC proceeding or other Commission decision.

In Resolution E-3096, the Commission established the AET as a single Tier 2 advice letter an IOU submits every year to record costs that have been or are anticipated to be approved by the Commission or the Federal Energy Regulatory Commission (FERC), and to incorporate these costs into the following year's rates. The use of this letter was established in lieu of the application process specified in D.03-12-035, PG&E's 2003 bankruptcy settlement, as a way of

[109] PG&E Opening Brief at 7.

[110] The Commission takes official notice of Electric Preliminary Statement Part CZ available at: https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_PRELIM_CZ.pdf.

quickly amortizing prior over-collections in order to mitigate significant rate increases.[111] Due to concerns over the use of an advice letter for these costs, the Commission required that the balances authorized by the AET for recovery in rates be subject to future audit, verification, and adjustment as necessary.[112] The processes of auditing, verifying, and adjusting costs through the AET is appropriate for revenue requirements that have already been examined and approved by the Commission. However, this process was later revised to consist of two different advice letters, a Tier 2 preliminary AET due November 15 and a Tier 1 updated AET due no later than December 31.[113] The preliminary AET provides an estimated electric rate change based on balances through October 31 and projected balances for November and December.[114]

The updated Tier 1 AET includes recorded balances through November 30, if available, and projected balances through December 31.[115] These balances update the preliminary estimations of revenue requirement and rate change.[116] Submission of the update as a Tier 1 advice letter allows for the rate changes to be effective upon filing and to align them with billing changes taking effect on January 1.

7.2. Party Positions

Cal Advocates argues that there is no requirement that the Commission authorize a balancing account, since the language of SB 410 was changed during

[111] Resolution E-3906 at 7.

[112] Resolution E-3906 at 1.

[113] Resolution E-5217, Ordering Paragraph 1(a).

[114] Resolution E-5217, Ordering Paragraph 1(b).

[115] Resolution E-5217, Ordering Paragraph 3.

[116] Resolution E-5217, Ordering Paragraph 2.

the legislative process from "balancing account" to "ratemaking mechanism."[117] Cal Advocates notes that in Commission practice, balancing accounts often are based on forecasts and do not require later reasonableness review. Because SB 410 explicitly requires after the fact reasonableness review in Section 937(b)(3), Cal Advocates asserts that the term "balancing account" could create confusion and is therefore inapposite here. Cal Advocates further notes that PG&E may recover costs above the cap in the following GRC and can continue to use its approved revenue requirement without interim recovery, and emphasizes that advance planning, engineering, and construction are the focus of SB 410.[118] No other party offered other proposals or commented on the appropriate ratemaking mechanism.

7.3. Discussion of the Appropriate Ratemaking Mechanism

The Commission uses balancing accounts in circumstances where the Commission approves of the scope of a program as just and reasonable in advance, but costs are too uncertain to forecast accurately in a GRC. As such, balancing accounts avoid retroactive ratemaking by establishing a presumption that the activities within their scope are just and reasonable within certain monetary constraints. The Commission uses memorandum accounts in circumstances where an activity has not yet been found to be reasonable and necessary, and where the costs are very uncertain.[119] Typically, a utility later

[117] Cal Advocates Opening Brief at 5-6.

[118] Cal Advocates Opening Brief at 5-6.

[119] D.23-05-003 at 6.

requests authority to recover these costs after the utility demonstrates the reasonableness of its action and the benefit of the activity to the ratepayers.[120]

PG&E has requested that costs incurred via the ratemaking mechanism authorized by SB 410 be booked to a balancing account, the proposed ECNBBA. PG&E proposes to transfer the balance in the proposed ECNBBA annually to the DRAM for recovery from customers through electric distribution rates.[121] Current balances within the DRAM have been examined and approved by the Commission. Energization costs recorded in the proposed ECNBBA, however, have not been examined and approved by the Commission.

SB 410's requirement for the Commission to authorize rate recovery annually through an additional ratemaking mechanism is more in the nature of a memorandum account, because of the after-the-fact reasonableness review. SB 410 requires the Commission to grant interim rate recovery for energization related costs prior to determining whether they are just and reasonable as a part of PG&E's next GRC while clarifying that any costs not found just and reasonable are subject to refund.[122] Accordingly, PG&E shall establish the Electric Capacity and New Business Interim Memorandum Account (ECNBIMA) as the mechanism for recording costs subject to interim recovery.

SB 410 requires PG&E to utilize the same classification system for recording costs as was used in D.23-11-069,[123] and to record spending to the level authorized in that decision before utilizing the ratemaking mechanism for

[120] D.23-11-069 at 750.

[121] PG&E Ex-PhII-01 at 33.

[122] SB 410 requires the Commission to review the reasonableness of additional energization costs in PG&E's next GRC; Pub. Util. Code Sections 937(b)(4) and 937(b)(5).

[123] Pub. Util. Code Section 937(b)(4).

interim recovery. However, different criteria apply to costs approved in GRCs and costs to be approved for interim recovery pursuant to SB 410 through the ECNBIMA. For capital expenditures authorized by D.23-11-069, the cost is booked into the DRAM monthly, at a rate of 1/12 of the authorized revenue requirement irrespective of the actual costs incurred or their connection to energization.[124] Within the ECNBIMA, however, capital costs may not be eligible for interim rate recovery unless they have been "placed in service"[125] as depreciated capital additions. This is consistent with the process by which capital expenditures are depreciated to be recovered in rates on an annual basis only when customers benefit.[126] Further, the cost recorded due to energization for each eligible MAT must exceed the D.23-11-069 authorized expenditures prior to being eligible for interest or interim recovery.[127]

Based on the above discussion, the Commission finds that transferring costs recorded in the ECNBIMA to the DRAM without approval is inappropriate as such inclusion would commingle costs that have been examined and approved by the Commission with those that have not had this review. Costs authorized for annual recovery by SB 410 have not had their scope approved in advance, nor have they been found reasonable and necessary.

The ECNBIMA shall separately account for both capital expenditures and capital additions incurred within individual line items for each MAT as

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[124] The Commission takes official notice of PG&E's Electric Preliminary Statement Part CZ (CPUC sheet no. 53294-E), Section 5.a., available at: https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_PRELIM_CZ.pdf. Electric Preliminary Statement Part CZ (CPUC sheet no.53294-E), Section 5.a.

[125] TURN Reply Brief at 8.

[126] TURN Reply Brief at 9; D.23-11-069 at 652, 694.

[127] Pub. Util. Code Section 937(b)(5).

discussed in Section 6 and 8 and shall utilize the accounting methodologies and categorization of costs from D.23-11-069 without modification. The authorization provided by D.23-11-069 corresponds to approved capital expenses. Costs recorded to the ECNBIMA cannot be recovered through the AETs, however, until equipment is placed in service. Upon reaching the level of capital expenditure authorized for each MAT in D.23-11-069, the criteria for recovering costs shall transition from a capital expense basis to capital additions.[128] No MAT or line item within the ECNBIMA shall be eligible for any rate recovery until that MAT or line item's balance exceeds the annual capital expenditures authorized in D.23-11-069, the Phase I GRC decision in this proceeding. Capital additions must be incremental to those resulting from expenditures authorized within D.23-11-069 to be eligible for the ratemaking mechanism. Actual rate recovery for MAT or line item balances that exceed the annual capital expenditures authorized in D.23-11-069 shall be through the AET advice letter process. The annual capital additions within the ECNBIMA shall be converted to revenue requirements and comprise their own line item within each AET revenue requirements table. An accounting of each MAT's capital expenditures, capital additions, their revenue requirement equivalents, and any interest shall be included in the appropriate discussion section of the AET advice letters.

We find that the use of the AET advice letters to authorize the annual recovery of energization costs continues to promote administrative efficiency and meets the requirements of SB 410.[129]

[128] PG&E Opening Brief at 19.

[129] Pub. Util. Code Section 937(b)(3).

8. The Annual Cap on Interim Rate Recovery through the ECNBIMA

Pub. Util. Code Section 937(b)(2) requires the Commission to review information submitted by the electrical corporation before establishing an up-front cap on the amount recoverable within the ratemaking mechanism for energization projects. Information to be reviewed includes a detailed summary of energization costs, numbers of projects, and plans related to the corporation's status as an operator under Public Resources Code Section 25548.1.[130]

8.1. PG&E's Proposed Methodology for Determining the Annual Cap

PG&E's approach for determining the annual cap on the ECNBIMA relies upon updated forecasts of energization projects.[131] PG&E's initial forecasts indicated that anticipated work would require capital additions at the rate of 2.5 percent, 1.3 percent, and 1.9 percent for years 2024, 2025, and 2026 respectively.[132] PG&E proposes a cap that constrains costs to a level that results in no more than a 2.5 percent annual increase in electric distribution revenue requirement.[133] PG&E states that providing a cap limiting increases to 2.5 percent for all three years will provide sufficient "headroom" to accommodate accelerating electrification-related infrastructure spending.[134] PG&E recommends

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[130] Pub. Util. Code Section 937(b)(2) provides that "before establishing the cap, the commission shall review all information submitted by the electrical corporation pursuant to subdivision (c)."

[131] PG&E's estimate of energization projects includes projected projects in MWCs 6, 10, 16 and 46, plus an expected number of applications that PG&E will be receiving against historical information and what has already been adopted in Phase 1 multiplied by an estimated unit cost escalated by a consultant prediction of inflation costs, electric vehicle electrification needs and other factors in its model. March 6, 2024 Hearing Transcript at 3060-3068.

[132] TURN-PhII-01-E at (pdf) 48.

[133] PG&E PhII Ex-01 at 32-33; PG&E PhII Ex-02 at 5-7, based on PG&E's adopted GRC electric distribution revenue requirement for the applicable year.

[134] PG&E Opening Brief at 29; PG&E Reply Brief at 23-25.

that the Commission simply interpret SB 410 consistent with the statute's plain language and legislative intent and harmonize the requirements established by SB 410 and AB 50.[135] AB 50 establishes Section 933.5(b)(1) requiring PG&E to submit a report by December 1, 2024, demonstrating that PG&E has energized 80 percent of customers with applications deemed complete as of January 31, 2023. PG&E states that its proposed 2.5 percent cap would enable PG&E to meet this requirement.[136] PG&E argues that spreading the projects out over the first two years of the ratemaking mechanism would contravene AB 50.[137] PG&E also raises the possibility that increased consumption of electricity from energization will apply an overall downward pressure on rates.[138] By utilizing its rule of thumb that there are only 14.5 cents of revenue requirement that result from each dollar of capital expenditure, PG&E finds that this constraint equates to a maximum annual cap on capital expenditures of $1,264 million, $1,356 million, and $1,456 million for 2024, 2025, and 2026 respectively, totaling $4,076 million of capital expenditure for all three years.[139]

In response to TURN's calculations, PG&E cites from a second, accelerated scenario and disputes TURN's assertion that capital additions, rather than capital expenditures, should form the basis of cap computations.[140]

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[135] PG&E Reply Brief at 4.

[136] PG&E Reply Brief at 5.

[137] PG&E Reply Brief at 26.

[138] PG&E Opening Brief at 25.

[139] PG&E Ex-PhII-02 at 6, Table 6.

[140] PG&E Opening Brief, p. 17, footnote 61 (Values are taken from "Scenario 2" (Accelerated) in Ex. TURN-PhII-01-E, Appendix C (PG&E's Responses to TURN Data Requests), TURN_004-Q002, Answer 002 Supplemental 01).

8.2. Intervenor Recommendations and Positions[141]

CUE supports PG&E's approach and asserts that the Commission must find that it satisfies the requirements of SB 410. CUE further argues that a cap that is too low would also prevent the utility from complying with AB 50.[142]

Tesla supports the PG&E proposal, citing portions of the Kevala Energy Impact Study (EIS)[143] and Cal Advocates' Distribution Grid Electrification Model (DGEM),[144] two models[145] of the distribution grid created to assess the effects of grid electrification through 2035. Tesla further notes that PG&E has spent approximately $500 million more on energization related capital expenses in 2023 than was authorized in D.23-11-069.[146]

Cal Advocates proposes a reduction in the cap of approximately one quarter,[147] based on PG&E's historic spending. They assert that the funding authorized in D.23-11-069 is sufficient for PG&E to address its overdue work.[148] Cal Advocates further notes that the spending contemplated by PG&E in the

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[141] *See also* PG&E's Reply Brief, Appendix A at A1-A-5.

[142] Id. at 15, quoting Evidentiary Hearing Transcript at 3079: 2-8.

[143] The Commission takes official notice of the Kevala Energy Impact Study available at: https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M508/K423/508423247.PDF.

[144] CalPa Ex-PhII-02WP at 17; Cal Advocates undertook its DGEM study to assess – in the context of electrification – costs to upgrade the grid and rate impacts, the key drivers of costs and cost uncertainties, the necessary pace of distribution asset upgrades, and the potential of load management to reduce costs and rate impacts.

[145] CALPA Ex-PhII-02WP at 17; "The EIS is a preliminary study that analyzed the cost of distribution infrastructure upgrades resulting from load growth, including transportation electrification, in the service territories of Pacific Gas and Electric Company, San Diego Gas & Electric Company and Southern California Edison Company."

[146] Tesla Ex-PhII-01 at 9.

[147] CALPA Ex-PhII-01 at 3. "The Commission should adopt an annual cap of 1.9 percent rather than the cap of 2.5 percent PG&E proposed."

[148] CALPA Ex-PhII-01 at 8.

three-year period ending after 2026 is roughly equivalent to DGEM's prediction of need at the end of their modeled period, in 2035. As such, Cal Advocates disputes[149] PG&E's assertion of support from the DGEM[150] and states that the cost cap is incompatible with DGEM.[151] Cal Advocates notes that PG&E would need to more than double the pace of its new business connections in 2024 to both clear its project backlog and address its new projects, and that this doubling may not be realistic.[152]

TURN opposes the rationale of increasing the cap to 2.5 percent for each year to provide "headroom" as being unsubstantiated.[153]

TURN initially recommended reducing the amount of the ratemaking mechanism cap by approximately one third of PG&E's proposed amount.[154] After reviewing discovery materials, TURN increases their recommended reduction to over half of PG&E's proposed capital expenditure amount.[155] TURN urges the Commission to consider customer rate impacts and affordability as part of this process.[156] TURN bases its computations on capital additions, rather than capital expenditures, flags affordability concerns, suggests revisions that disallow multiple capital expense categories, adjusts the direct connection expense by 17 percent for residential projects and 35 percent for non-residential

[149] CALPA Ex-PhII-01 at 5.

[150] PG&E Ex-PhII-01 at 5.

[151] CALPA Ex-PhII-01at 8.

[152] CALPA Ex-PhII-01 at 9.

[153] TURN Reply Brief at 13.

[154] TURN Ex-PhII-01 at 6.

[155] TURN Reply Brief at 5.

[156] TURN Reply Brief at 2-3.

projects,[157] notes that EV charging station energization is generally covered by the IOUs' Electric Vehicle Infrastructure Rules 29 and 45,[158] adjusts the historical energization proportion of work done at the request of others to 24 percent, disallows all transformer line items, and modifies the AB 50 forecast adjustment to reflect a scenario where PG&E performs to the minimum of AB 50 requirements. TURN further recommends that the Commission direct PG&E to prioritize the use of Diablo Canyon payments and Low Carbon Fuel Standard Holdback funds for use as Contributions in Aid of Construction for SB 410 projects, but does not suggest any offsetting reduction in the cap.

Walmart proposes a reduction in the cap by approximately two-thirds, noting the shift of both completion and financial risks generally borne by the utility to customers,[159] and the likelihood of intergeneration inequity. Walmart notes that "the clearest path to mitigate some of the cost and risk exposure, while still significantly funding the Company's efforts, is to simply reduce the amount of investment allowed."[160]

8.3. Discussion

The Commission computes the annual revenue cap based on the incremental costs forecast for the MATs or line items that the Commission found eligible in Section 6 for recording energization costs in the ECNBIMA. In keeping with the statutory requirement to set an annual cap,[161] the amount that is eligible for recovery from the ECNBIMA via the AET advice letters is computed on an

[157] TURN Ex-PhII-01-E at 5.

[158] TURN Reply Brief at 28.

[159] WMT-PhII-01-E at 15-16.

[160] WMT-PhII-01-E at 17.

[161] Pub. Util. Code Section 937(b)(2).

annual basis. The Commission agrees with PG&E and TURN that the appropriate point for recovering costs is once the projects associated with the incremental capital expenditures are placed into service[162] and bases the computation of the cap on capital additions per year, where available.[163] The Commission agrees with Cal Advocates that past performance indicates doubling the pace of new business connections within one year may not be realistic and bases the number of projects and capital additions on the base scenario[164] proposed in PG&E's opening and supplemental testimony. The Commission finds it reasonable to consider revisiting the accelerated scenario forecast as a basis for the 2026 cap if PG&E completes, within 2024, the projects forecasted in its 2024 base scenario at or below its forecasted level of ratepayer cost, shown in Appendix A.

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[162] PG&E Reply Brief at 26; TURN Reply Brief at 8-9.

[163] Capital additions figures were not provided for MWC 10 activities. As the Commission stated in the Phase I decision in this proceeding, a utility must show not only that costs are just and reasonable but that the assets are in service - "used and useful."

> For amounts recorded in memorandum accounts, the Commission must first review those costs for reasonableness, and to include costs in rate base they must be both used and useful as well as prudently incurred. This requirement derives from Pub. Utilities Code Section 451, which provides: "All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable. Every unjust or unreasonable charge demanded or received for such product or commodity or service is unlawful." As the Commission stated in D.19-05-020,
>
> > "We agree with TURN that SCE cannot establish reasonableness based simply on a claim that an expenditure was made and has resulted in an investment which is used and useful for SCE's customers."

D.23-11-069 at 775 (footnote omitted).

[164] Scenarios that accelerated or delayed project deployment were prepared by PG&E but not proposed for this ratemaking mechanism. The scenario proposed in testimony is referred to as the base scenario.

PG&E,[165] Cal Advocates,[166] Tesla,[167] and CUE[168] reference the EIS and DGEM models as a basis for setting the cap. While not the sole basis for PG&E's proposal, PG&E claims that the DGEM model supports its proposed cap.[169] While both models indicate a level of increase in capital expenditure before 2035 to serve electrification and energization, they each have weaknesses. The EIS model is intended to reflect the worst-case scenario, one where there are no low-cost alternatives (e.g., switching) or mitigations (e.g. time-variant or dynamic rates and flexible load strategies) taken to reduce the costs of impacts of electrification on the grid. The DGEM model is a capacity expansion-based model and not intended to be used to distinguish specific needs associated with new customers.[170] As a result, the Commission finds that the models cited are not a suitable basis for setting a three-year revenue cap.

While we agree that there are numerous policy drivers pointing to future electrification and energization, the Commission finds that PG&E has not provided substantiation of the need to build in "headroom" for future load growth in these three years by setting every year's cap to equal 2.5 percent of the highest year's need. However, the Commission does find it reasonable to set the

[165] PG&E Ex-PhII-01 at 28.

[166] CALPA Ex-PhII-02WP at 17.

[167] Tesla Ex-PhII-01 at (pdf) 12.

[168] CUE Opening Brief at 17-18.

[169] PGE Opening Brief at 32.

[170] Cal Advocates Reply Brief at 6.

2024 cap at a level that will permit incremental recovery for the projects subject to AB 50 requirements.[171]

Considering the whole record, the Commission adopts a hybrid of the parties' recommendations on the amount of the annual cost cap. PG&E's proposed figures unreasonably include distributed generation costs, transformer cost, and costs not connected to supplying power to load. TURN and Cal Advocates propose elimination of costs that are critical to supplying new capacity to verifiable load. It is therefore appropriate to set a revenue cap by individually evaluating forecasts for each MAT or line item against authorized D.23-11-069 capital expense amounts and adjusting those sums as supported by the record. PG&E also presents an updated calculation of these costs that refines its rule of thumb to be 14.8 cents of revenue requirement for each dollar of capital energization cost.[172] We utilize this rule of thumb to convert capital additions to revenue.

It is reasonable to allow PG&E to shift some of the projects forecast for 2024 to address its backlog of energization requests into 2025 to give PG&E two years rather than one year to complete this work.[173] It is also reasonable to allow capital expenditures to be counted towards the cap for the year in which they were accrued. PG&E has not sufficiently demonstrated its ability to meet the level of new business applications for energization that would be required to energize both its backlog and the 2024 new applications.[174] As Cal Advocates

[171] Pub. Util. Code Section 933.5(b)(1) requires PG&E to submit a report by December 1, 2024, demonstrating that PG&E has energized 80 percent of customers with applications deemed complete as of January 31, 2023.

[172] PGE Ex-Ph II-04 at (pdf) 24.

[173] Cal Advocates Opening Brief at 11.

[174] Cal Advocates Opening Brief at 10.

asserts, trying to complete these backlogs in one year would raise costs even more.[175] In order to support timely recovery of funds expended on AB 50 required projects, we base the 2024 cap on both the number of forecasted connection requests and on 80 percent of the MWC 16's remaining AB 50 projects line item. The 2025 cap reflects forecasted connection request numbers and the final 20 percent of AB 50 projects.

A summary of capital costs considered and their contribution to the revenue cap is shown in Table 8-A below.

Table 8-A1: Major Work Category Contribution to Revenue Requirement Cap - Thousands of Nominal Dollars

		Contribution to Cap (SB 410 Incremental to D.23-11-069)		
Unit of Measure	**Major Work Category**	**2024**	**2025**	**2026**
Incremental Capital Costs	MWC 10 - Work Requested by Others	$ 77,601	$ 4,349	$ 5,849
	MWC 46 - Substation Capacity	$ (38,065)	$ 43,923	$ 236,623
	MWC 06 - Line Capacity	$ 89,968	$ 173,549	$ 147,276
	MWC 16 - Customer Connects	$ 845,562	$ 396,884	$ 279,650
	Total Capital Costs ($ 000)	$ 975,065	$ 618,704	$ 669,398
Resultant Revenue Requirements	Revenue Requirement Cap (assumes $1 of capital cost = $0.148 of Revenue Requirement)	$ 144,310	$ 91,568	$ 99,071
	D.23-11-069 Distribution Revenue Requirement	$ 7,274,000	$ 7,762,000	$ 8,311,000
	Annual Increase Compared to Distribution Revenue Requirement	1.98%	1.18%	1.19%

[175] Cal Advocates Opening Brief at 10.

A full accounting of the figures used to arrive at these numbers can be found in Appendix A. The annual caps for the years 2024-2026 are based on the estimates for each MAT or line item described in the work categories discussion sections below and shown in Appendix A.

PG&E must track its costs at the MAT or line item level specified in order to utilize this ratemaking mechanism. Prior to recording any costs in the ECNBIMA for that MAT or line item, PG&E must show that they have made capital expenditures that meet the amount authorized for that MAT or line item in D.23-11-069. No costs can be recovered through the AET advice letters unless the sum of the capital expenditures made within the eligible MAT or line item for that year exceeds the amount that was authorized for those purposes in D.23-11-069. The authorized capital expenditures for these MATs or line items in D.23-11-069 are $1,041 million for 2024, $1,070 million for 2025, and $1,087 million for 2026. The amounts apportioned to each MAT or line item in this Section are used for computing the overall cap amount in Appendix A but do not limit the annual amount that can be applied to any particular MAT or line item. Similarly, the amounts apportioned to each MWC for computing the overall cap do not limit the annual amount that can be applied to any particular MWC as long as the total does not exceed the annual cap.

8.3.1. MWC 10 Discussion

MWC 10 activities were not part of the initial proposal and are unique in that PG&E never asserted that the full set of activities is energization related. PG&E proposes that its estimate of the energization related activities, 22 percent, be applied to the D.23-11-069-authorized MWC amounts as an estimate of incremental cost related to energization. TURN cites additional information to come up with 24 percent as a more representative proportion of energization

related costs within this MWC. Cal Advocates proposes that the Commission either entirely exclude MWC 10 costs from the ratemaking mechanism[176] or only include them to the extent that total MWC 10 costs and energization-related MWC 10 costs exceed the amount authorized in PG&E's GRC.[177] Both Cal Advocates' proposal and TURN's updated percentage for MWC 10 are acceptable to PG&E.[178]

The incremental costs for this category are calculated based upon the difference between 24 percent of D.23-11-069 authorized capital expenditure amounts and PG&E's updated forecast of energization related residential, nonresidential, and PEV capital costs.[179] These amounts are summarized in Table 8-B below.

Table 8-B2: MWC 10 Incremental Capital Expenditure

Major Work Category	Maintenance Activity Type	2024	2025	2026
10	Energization Related WRO	$ 77,601	$ 4,349	$ 5,849

8.3.2. MWC 46 Discussion

Table 8-C summarizes the level of capital additions that the Commission considered in setting the ECNBIMA revenue requirement cap. As noted in Section 6 above, costs in MAT 46F are ineligible for recording as they pertain to abnormal grid operations, and costs in MAT 46N are ineligible as they have not been shown to be energization related and are not likely to result in an asset that

[176] Cal Advocates Opening Brief at 12.

[177] Cal Advocates Ex-PhII-01 at 13.

[178] PG&E Opening Brief at 23.

[179] TURN-01-E at (pdf) 114.

is in service within the 2024-2026 period. The incremental capital costs are computed by subtracting the D.23-11-069 authorized capital expenditures from PG&E's forecasted capital additions; the negative values do not reflect a reduction in available capital but instead the requirement that projects be placed in service before the costs can be recorded into the ECNBIMA and recovered.

Table 8-C3: MWC 46 Incremental Capital Costs

Major Work Category	Maintenance Activity Type	2024	2025	2026
46	46A - Normal Capacity	$ (6,680)	$ 9,086	$ 12,550
	46F- Emergency and Operational Capacity	$ -	$ -	$ -
	46H - New Business Related Capacity	$ (31,385)	$ 34,836	$ 224,072
	46N - New Substation Land Purchase	$ -	$ -	$ -
	Total	**$ (38,065)**	**$ 43,923**	**$ 236,623**

8.3.3. MWC 06 Discussion

Table 8-D summarizes the level of capital costs that the Commission considered in setting the revenue requirement cap for MWC 06 activities. As noted in Section 6 above, costs in MAT 06I are ineligible for recording as they pertain to abnormal grid operations. PG&E agrees that costs in MAT 06P are ineligible, and costs in MATs 06G, 06K and 06# are ineligible as they have not been shown to be energization projects. The contributions for several circuit reinforcement entries to the cap are negative due to PG&E's forecast of capital additions being below the level of capital expenditure authorized in D.23-11-069.

Table 8-D4: MWC 06 Incremental Capital Costs

Major Work Category	Maintenance Activity Type	2024	2025	2026
06	06A - Feeder Projects Associated with Substation Work	$ 35,075	$ 38,150	$ (1,787)

Major Work Category	Maintenance Activity Type	2024	2025	2026
	06B - Overloaded Transformers	$ 1,820	$ 2,165	$ 2,429
	06E - DP Managed Circuit Reinforcement	$ (4,725)	$ (4,448)	$ (5,101)
	06E - PS Managed Circuit Reinforcement	$ (15,505)	$ 8,040	$ (9,587)
	06G - Voltage Complaints	$ -	$ -	$ -
	06H - New Business Related Capacity and Emergent	$ 73,302	$ 129,641	$ 161,323
	06I - Operational Capacity	$ -	$ -	$ -
	06K - Power Factor	$ -	$ -	$ -
	06P - Enable DG	$ -	$ -	$ -
	06# - Line Regulator Revolving Stock	$ -	$ -	$ -
	MWC Total	**$ 89,968**	**$ 173,549**	**$ 147,276**

8.3.4. MWC 16 Discussion

The contribution of residential and nonresidential connections is computed by taking the difference between D.23-11-069 authorized capital expenditures and the capital addition forecast numbers provided by PG&E.[180] The Commission finds TURN's assertion that the forecast numbers of connections have consistently exceeded the actual projects completed to be reasonable and applies TURN's suggested reductions of 17 percent and 35 percent to the residential and nonresidential totals, respectively.

As discussed in Section 6.5, PG&E's PEV MAT code is only attributable to Rule 29 costs for EV charging stations. Pursuant to AB 841's preference to consider Rule 29 costs forecasts and/or cost reasonableness in the "next GRC," and the Commission's adoption of that schedule in Resolution E-5167 implementing AB 841, we find that such costs are thus ineligible for tracking and

[180] TURN Ex. PhII-01-E at (pdf) 48.

recovery in this ratemaking mechanism. Accordingly, we reduce the eligible costs for this line item to zero.

Both TURN and Cal Advocates suggest that PG&E has not shown that the entirety of transformer purchases and scrapping are energization related.[181] Review of PG&E's accounting of costs shows a 26 percent burden that is applied to the costs of transformers.[182] We find that this 26 percent burden has not been shown to be energization related and reduce transformer purchase capital additions correspondingly before computing the difference between the authorized capital expenditures and forecast costs. PG&E responds to TURN's and Cal Advocates' proposal to entirely omit transformer costs by estimating that approximately one third of transformer costs relate to energization.[183] As noted above, we reduce the contribution to costs from these line items by 70 percent because this is the precise factor used by PG&E in its workpapers.

The "AB 50 projects" qualify as energization projects because they are defined as service connections occurring after a customer has submitted a request for new or increased electrical load.[184] The adjusted total cost for the AB 50 projects is then apportioned under the assumption that 80 percent of the projects will come in service during 2024 and the remaining 20 percent will be completed in 2025.

[181] TURN Opening Brief at 20.

[182] TURN Ex. PhII-01-E at (pdf) 47.

[183] PG&E Opening Brief at 19.

[184] Pub. Util. Code Section 933.5(a)(1).

Table 8-E: MWC 16 Incremental Capital Costs

Major Work Category	Maintenance Activity Type	2024	2025	2026
16	Residential Connects	$ 150,819	$ 150,204	$ 169,662
	Nonresidential Connects	$ 52,673	$ 62,626	$ 68,662
	PEV	$ -	$ -	$ -
	Transformer Purchases	$ 28,907	$ 30,250	$ 40,844
	Transformer Scrapping	$ 99	$ 537	$ 482
	"AB 50 Projects" - Forecasting and Escalation Adjustment	$ 613,065	$ 153,266	$ -
	Total	**$ 845,562**	**$ 396,884**	**$ 279,650**

8.3.5. Energization Related Expense MWCs

PG&E states that it is not proposing to include expense MWCs in the ratemaking mechanism in this phase of the proceeding.[185] Thus, the Commission has not included any such costs in the cap. The Commission clarifies that revenue approved under this cap can be utilized for MATs EVA, EVB, and EVB-OK to Serve so long as the cost is incurred in support of eligible energization projects.

8.3.6. Affordability Considerations

SB 410 gives the Commission discretion in setting the cap and clarifies subjecting costs to refund provides an additional guardrail against affordability concerns.[186] All parties note affordability as a consideration in establishing this

[185] PG&E Ex-PhII-04 at 2.

[186] July 11, 2023 Assembly Committee on Utilities and Energy legislative analysis at 10; "Additional Guardrails. This bill does attempt to limit impacts on electric ratepayers by affirming that costs recorded in the balancing account are subject to a refund back to ratepayers following a CPUC reasonableness review. The bill likewise requires the CPUC establish an annual cap on the amount that may be recovered within the account."

ratemaking mechanism. PG&E addresses this consideration by comparison with approved distribution capital expenditures, and the revenue impact that those expenditures have historically had on any given year's rates. It asserts that proposed expenditures will result in less than a one percent annual system wide rate increase.[187] This assertion is based on PG&E's assumption that revenue requirements due to distribution capital expenditures will continue to be less than one third of rates.[188] This one-third figure, however, is based upon data prior to D.23-11-069. Cal Advocates notes "PG&E could and should have used the TY 2023 authorized revenue requirement along with its 2024-2026 estimates for undergrounding overhead lines to determine what percentage of PG&E's total rates would be electric distribution costs."[189] Electric distribution revenue requirements make up 46 percent of the total CPUC jurisdictional 2024 revenue requirements.[190] This figure does not include any FERC jurisdictional costs that may be triggered by these upgrades.

While PG&E focuses on annual rate increases, some fraction of these costs will be in rates for an average of approximately 44 years.[191] One way of reducing the impact on affordability is by offsetting the required capital with other funding sources. We discuss the other funding sources below.

Considering all of the above, the caps shown in Table 8-A above for the years 2024-2026 balance the goals of adopting a realistic cap on annual

[187] PG&E Reply brief at 2.

[188] PG&E Opening Brief at 24.

[189] Cal Advocates Reply Brief at 4.

[190] The Commission takes official notice of PG&E Advice Letter 7116-E at 4-5; Table 2: lines 3 and 73, available at: https://www.pge.com/tariffs/assets/pdf/adviceletter/ELEC_7116-E.pdf.

[191] TURN Opening Brief at 27.

energization costs, ensuring PG&E has time to complete the energization work, and addressing affordability. All energization costs allowed under the annual cap in this decision shall also be verified by the required audit and subject to reasonableness review and possible refund in the next GRC.

9. Requirements of Independent Section 938 Auditor

Before the Commission authorizes the use of a ratemaking mechanism,[192] Section 938 requires PG&E to retain an independent, third-party auditor to review the reasonableness of its energization program,[193] or requires the Commission to direct PG&E to hire such an auditor. Pursuant to the auditor selection process adopted in rulings in this proceeding,[194] PG&E issued a Request for Proposal (RFP) and recommended Ernst and Young (the sole bidder) as the independent SB 410 auditor.

On April 2, 2024, PG&E served its RFP documents, responses to bidder RFP questions, RFP response, RFP scoring documents, and PG&E's recommendation.

On April 10, 2024, the ALJs agreed with PG&E's recommendation of Ernst and Young by ruling. The Commission hereby ratifies this ruling and the selection of Ernst and Young as the auditor to perform and fulfill the requirements of SB 410. On April 22, 2024, PG&E served a copy of the proposed auditor services contract to all parties. This contract included a scope of work based on Section 938(a)(3-5) without providing sufficient details regarding the scope of work and deliverables. Subsequently, the ALJs issued a ruling requiring

[192] Pub. Util. Code Section 937(b)(1).

[193] Pub. Util. Code Section 938(a)(1).

[194] Administrative Law Judge Rulings dated February 27, 2024 and March 22, 2024, including attachments.

PG&E to modify the terms of the audit services contract to delegate to the Commission's Energy Division the task of working with the auditor and PG&E to ensure that the scope of work in the audit contract adequately explains the process for Ernst and Young to conduct the audit and its deliverables, including the Work Plan, Monthly Progress, Findings and Summaries and Biannual Reports consistent with this decision. PG&E shall be the contract manager and shall cooperate with Energy Division to ensure that Ernst and Young and any subcontractor(s) are available to complete this task.

On June 7, 2024, PG&E served the revised, executed auditor services contract incorporating the above terms.

SB 410 requires an independent auditor to review PG&E's business practices and procedures for energizing new customers, and how PG&E is planning for demand growth, including new customer energizations.[195] PG&E's current energization practices and procedures are under review in several proceedings: Resolution E-5247 has set interim energization timelines for some projects, R.24-01-018 is in the process of establishing other timelines, and R.21-06-017 issued a staff proposal on March 13, 2024 making recommendations for actions to improve distribution planning and project execution for the electric IOUs and to improve the IOUs' Distribution Resource Planning data portals and their Integration Capacity Analysis (ICA) maps.

At present, PG&E is planning for demand growth through its annual distribution planning process[196] and intends to use the ECNBIMA to reduce its backlog of new business as directed by AB 50.[197] Subsequently, PG&E's plans for

[195] Pub. Util. Code Section 938(a)(1).

[196] PG&E Ex-PhII-01 at 7-8.

[197] Evidentiary Hearing Transcript at 3079:5-8.

demand growth include the requirements to be determined in the Commission's proceedings regarding energization timelines, modernizing the electric grid, transportation electrification, and demand flexibility.

Based on the information reviewed, the Commission finds that PG&E has met the Section 938 requirement to retain a third-party auditor and affirms the ALJ direction to PG&E to revise the scope. PG&E shall not recover the costs of this auditor from ratepayers.

The SB 410 auditor shall evaluate PG&E's performance utilizing current energization practices and procedures and its future planning for demand growth, and the auditor shall make determinations as to whether PG&E is adequately anticipating and meeting customer demand, adequately recruiting and retaining staff, training its workforce, and whether staffing and capital projects are funded at sufficient levels to meet forecasted demand growth.[198]

9.1. Requirements of the Biannual Auditor's Report

After reviewing the information specified in Section 938(a)(3) and this decision, the third-party auditor shall provide an initial report to the Commission on March 1, 2025 and twice per year thereafter. Pursuant to Section 938(a)(5), the reports of the third-party auditor shall be posted on the Commission's internet website and reported to policy committees of the Legislature.

Since Section 938(a)(3)(H) requires the auditor to review other metrics that support a thorough evaluation of energization performance that are being developed in other proceedings, including R.24-01-018 and R.21-06-017, this proceeding remains open to consider incorporating them in requirements for the

[198] Pub. Util. Code Section 938(a)(4).

2024-2026 energization audit. Section 938(a)(3)(H) further notes the relevance of metrics that identify and correct past flaws and to identify future best practices. This proceeding remains open to consider the incorporation of metrics identifying past flaws and future best practices, including grid enhancing technology such as advanced conductors.

9.2. TURN's Recommendations

TURN makes six recommendations for the SB 410 independent auditor.[199] The first, that Commission staff should be allowed to review, revise, and approve the auditor contract as well as being named as a third-party beneficiary, is not opposed by PG&E[200] and has been implemented. The second and third recommendations, around cost incrementality and necessity as well as timeliness, are addressed in Section 10 below.

Fourth, TURN recommends that the auditor should review the number and scope of projects completed and report on the minimum levels of work achieved and the costs incurred for these projects. This recommendation is discussed in Section 10.3 below.

Fifth, TURN recommends that the Commission require PG&E to provide information on the fraction of new connections requests (MWC 16 and 10) attributable to new vs. existing customers in its next GRC application and to incorporate this information into its forecasting efforts. Additionally, the third-party auditor should review this information to determine how changes in the portion of existing vs. new customers submitting applications affect cost forecasting.[201] PG&E does not directly oppose this recommendation in its reply

[199] TURN Opening Brief at iv.

[200] PG&E Reply Brief at 38.

[201] TURN Opening Brief at 13.

brief. Since the SB 410 definition of energization differentiates between existing and new customers, the Commission finds that tracking data on existing and new customers will provide important information for the reasonableness review and requires it below.

Finally, TURN recommends that PG&E submit the auditor's report as an exhibit in the next GRC.[202] The Commission also finds this requirement reasonable and adopts it.

10. GRC Reasonableness Review Requirements and Data Needs

Pub. Util. Code Section 937(b)(3) requires PG&E to demonstrate in its next GRC that "the costs incurred were just and reasonable. Any costs that the [C]ommission finds were not just and reasonable shall be subject to refund." Pub. Util. Code Section 937(b)(4) "[r]equires only costs associated with energization to be included in the mechanism and requires costs to be tracked using the same cost categories as used by the electrical corporation in its [GRC]." The parties offered evidence and briefed the information the Commission should require PG&E to provide for such a reasonableness review in the next GRC.

No parties disputed that the prudent manager standard should apply when the Commission conducts a reasonableness review of costs PG&E records to the ECNBIMA.[203] Under this standard, a utility "must show that its actions, practices, methods, and decisions show reasonable judgment in light of what it knew or should have known at the time, and in the interest of achieving safety, reliability and reasonable cost."[204] A "'reasonable and prudent' act …

[202] TURN Opening Brief at 41.

[203] TURN Reply Brief at 24.

[204] D.18-07-025 at 3.

encompasses a spectrum of possible practices, methods, or acts consistent with the utility system needs, the interest of the ratepayers and the requirements of governmental agencies of competent jurisdiction."[205]

PG&E states that no single issue or factor should be dispositive of reasonableness and describes various factors the Commission should consider in reviewing reasonableness.[206] Walmart supports the reasonableness review factors outlined in TURN's prepared testimony.[207] TURN makes seven recommendations regarding information that the Commission should require PG&E to demonstrate as part of the reasonableness review showing in the next GRC.[208] Of these seven, PG&E agrees that the review of ECNBIMA should include the following two areas.

First, PG&E should demonstrate that the costs recorded to the ECNBIMA are limited to those associated with the activities within MWCs 06, 10, 16, and 46.[209] In this regard, PG&E states that it should be permitted to record costs in the ECNBIMA so long as those costs are associated with energization as defined in SB 410, which may include new MATs within these MWCs as energization activities evolve. As discussed above, the Commission does not permit PG&E to record costs from new MATs or MWCs in the ECNBIMA without Commission authorization. The scope and limits of the costs that may be recorded in the ECNBIMA are discussed above in Section 6 of this decision, and the ECNBIMA classifications may not deviate from the classifications used in D.23-11-069.

[205] D.02-08-064 at 6.

[206] PG&E Reply Brief at 31-32.

[207] Walmart Opening Brief at 15.

[208] TURN Opening Brief at 45.

[209] PG&E Reply Brief at 33.

Second, TURN recommends that the Commission require PG&E to demonstrate that "[t]he costs recorded to the [proposed] ECNBBA were incremental to the costs authorized in D.23-11-069."[210] This is a standard requirement for reasonableness reviews that PG&E agrees to follow.[211]

The following TURN recommendations are disputed.

10.1. Energization Timeline Targets

To inform its consideration of the reasonableness of PG&E's costs recorded to the ECNBIMA, TURN recommends that the Commission require PG&E to comply with any energization targets and reporting requirements adopted in the energization rulemaking, R.24-01-018, that will be applied to PG&E. TURN asks the Commission to rely on these targets and reports when considering the reasonableness of PG&E's costs recorded to the ECNBIMA.[212] As a result, TURN recommends that the Commission assess PG&E's performance relative to the standards to be adopted in R.24-01-018 after those standards are in effect. If the reasonableness review takes place before the Commission adopts standards in R.24-01-018, TURN recommends that the Commission compare PG&E's energization timeline performance starting in 2024 compared to PG&E's performance in 2023, when the Legislature enacted SB 410, and PG&E's performance relative to the interim energization timeline adopted by the Commission in Resolution E-5247 for the projects subject to that timeline.[213]

PG&E opposes using SB 410 or AB 50 energization targets as factors in the Commission's reasonableness review for several reasons. First, PG&E contends

[210] TURN Opening Brief at 45.

[211] PG&E Reply Brief at 33.

[212] TURN Opening Brief at 37-38.

[213] TURN Reply Brief at 26.

that the Legislature did not intend statutory energization targets to be used in the way TURN suggests. Instead, PG&E argues that such targets should simply inform and improve planning, processes, workflows, and customer communication because they are likely to evolve. Second, PG&E contends that the Commission should not require timelines that run counter to completing work safely and reliably. As a result, PG&E argues that if any targets and criteria adopted in R.24-01-018 are used in connection with reasonableness reviews of energization projects and ECNBIMA costs, they should not solely be dispositive in a reasonableness determination.

Section 938(a)(3) makes clear that the audit shall focus on PG&E's performance in meeting energization timelines by requiring the auditor to review the following:

- The electrical corporation's performance in meeting energization time periods established by the commission pursuant to this article (Section 938(a)(3)(F));
- The electrical corporation's performance in meeting its internally established energization time periods over the prior 10 years or longer, as necessary (Section 938(a)(3)(G)); and
- Any other metrics deemed relevant by the commission or third-party auditor to support a thorough evaluation of the electrical corporation's energization performance, including to identify and correct past flaws and to identify future best practices (Section 938(a)(3)(H)).

Given that the Legislature intended for the auditor to review the above information regarding PG&E's "performance in meeting energization time

periods" and requires the auditor to evaluate PG&E's "current and future energization performance and make recommendations,"[214] the Commission finds it reasonable to adopt reporting requirements noted in Section 10.2 below, including energization timing targets being established in the energization timing proceeding. It also may be appropriate for these energization targets and reporting requirements to inform the Commission's consideration of the reasonableness of PG&E's costs recorded to the ECNBIMA. Additional requirements adopted in proceeding R.24-01-018, pursuant to AB 50, will apply to PG&E's actions after such reporting requirements are in effect. Finally, as the prudent manager standard contemplates, PG&E's performance in meeting energization time periods shall only be one factor to be considered when reviewing the reasonableness of expenditures associated with PG&E's actions.

10.2. Tier Level for Tracking and Reporting Requirements Advice Letter

TURN recommends that the Commission order PG&E to comply with the statutory directives in Sections 933.5 and 934 and any additional requirements adopted in R.24-01-008 by reporting annually in a Tier 3 advice letter on all targets and reporting requirements adopted by the Commission in this proceeding and in R.24-01-008.[215]

PG&E does not object to reporting information required by the Commission in this proceeding and R.24-01-018, pursuant to SB 410 and AB 50 except that PG&E states that reporting such information via a Tier 3 advice letter process is unnecessary. Rather, PG&E recommends requiring it to submit any required reports to the Energy Division as an informational Tier 1 advice letter,

[214] Pub. Util. Section 938(a)(4).

[215] TURN Opening Brief at 38-39.

similar to the Commission's reporting requirements for electric line extension expenditures adopted in D.23-12-037.[216]

Until proceeding R.24-01-018 adopts energization timelines, the Commission finds it premature to require PG&E to report on AB 50 related energization timelines in this proceeding. However, the Commission will consider requiring PG&E to report on AB 50 projects in this proceeding once they are established and will keep this proceeding open for that purpose.

The Commission finds it reasonable for PG&E to submit required data metrics via an annual Tier 1 advice letter, similar to the D.23-12-037 process.[217] We direct PG&E to serve this advice letter on the service list for this proceeding and for R.24-01-008.

10.3. Minimum Level of Completed Projects

TURN recommends that the Commission set minimum energization project levels linked to spending levels such that if minimum levels of work are not met in proportion to spending, PG&E should have to specifically address this in its testimony in the next GRC, which should inform the Commission's reasonableness review. In addition, TURN recommends directing the auditor to review the costs recorded to the ECNBIMA and verify the number and scope of energization projects completed each year. The auditor should then report on PG&E's achievement of level of work relative to spending, which would be considered in the Commission's reasonableness review of the costs recorded to the ECNBIMA in the next GRC.[218]

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[216] PG&E Reply Brief at 39-40.

[217] D.23-12-037, Ordering Paragraph 8.

[218] TURN Opening Brief at 42-43.

PG&E opposes linking spending to a minimum number of projects that must be completed for the following reasons that may impact delays: (1) timing of project dependencies such as permits, procurement of long-lead materials from manufacturers, or clearances needed to perform work; (2) weather or other emergency work requiring redistribution of design or construction resources; (3) changes in project scope; (4) changes in customer requirements; and (5) changes to the load forecast.[219] PG&E also argues that TURN's recommendation is not practicable because it assumes that there is a reasonable "per project" average or other unit cost measure that could reasonably be derived and used to calculate a minimum number of projects to be completed based upon the spending level cap adopted in the Commission's final decision in this proceeding.[220]

The Commission partially agrees with both parties. Per-project average or unit cost may be difficult to determine due to variability in each project's scope, complexity, and duration. Consequently, linking spending to average project costs may be difficult within MATs where there is significant variability. However, it may be appropriate to develop average project costs for certain common projects after the information is provided, and providing such information could improve forecasting. For example, average project costs may reasonably be developed for connecting single family residences or for overloaded transformers. Providing such information is consistent with the requirement of Section 938(a)(3), which requires the independent third-party auditor to review PG&E's "performance in meeting the energization time periods." Such information will also improve transparency and accountability

[219] PG&E Reply Brief at 34-36.

[220] PG&E Reply Brief at 36.

and assist the Commission in modifying energization tariff rules to require customers requesting energization to bear some of the costs, especially the costs of delays caused by the factors under the customers' control.[221] Accordingly, the Commission requires the auditor to verify the number and scope of energization projects completed each year and to recommend which types of projects are similar enough to provide meaningful average costs or costs that correlate with known data (e.g., transformer size, length and size of installed conductor) along with their average costs or correlations. Such costs may also be considered in the Commission's energization timeline proceeding and in PG&E's next GRC.[222]

10.4. Exhaustion of all Non-Ratepayer Sources of Funding

TURN recommends that before investing ratepayer funds in electrical distribution infrastructure upgrades, PG&E should be required to exhaust all non-ratepayer sources of funding to support new connections.[223] Two possible sources of such funding are discussed below.

10.4.1. Low-Carbon Fuel Standard Holdback Revenues

PG&E's "Capacity Pilot" proposes to use $20 million in Low Carbon Fuel Standard (LCFS) holdback revenues for unfunded distribution capacity infrastructure upgrades to enable public EV charging in Priority Communities through 2026. PG&E's 2023 LCFS Implementation Plan, including its Capacity Pilot, has not yet been approved by the Commission. If this plan is approved, TURN recommends that the Commission direct PG&E to use this $20 million in LCFS funds first for EV-related new business applications in the existing queue

[221] TURN Reply Brief at 26-28.

[222] R.24-01-018.

[223] TURN Opening Brief at 45.

of customers awaiting energization to reduce the incremental energization capital costs recorded to the ECNBIMA.[224] PG&E notes that it intends to use LCFS funding for capacity projects and is supplementing its LCFS implementation advice letter to clarify the interaction between the LCFS Capacity Pilot and the SB 410 ratemaking mechanism.[225]

In response to TURN's general recommendation to require the exhaustion of all non-ratepayer sources of funding first, PG&E states that this recommendation is vague, and that the Commission should adhere to cost-of-service ratemaking principles and approved tariffs relevant to customer connections, including Electric Rules 2, 15, 16 and 29, as applicable.[226]

The Commission disagrees with PG&E and finds that it is reasonable to require PG&E to exhaust all non-ratepayer sources of funding to support new connections before investing ratepayer funds in electrical distribution infrastructure upgrades. In addition, the Commission finds the potential use of LCFS holdback revenues, which target EV-related new business applications that require capacity upgrades,[227] to be within the scope of costs PG&E proposes to record to the ECNBIMA, if approved. Consequently, if the Commission approves PG&E's LCFS Implementation Plan, PG&E shall submit testimony in its next GRC that demonstrates how it took advantage of LCFS funds to energize customers in lieu of, or to reduce, distribution investment costs recorded to the ECNBIMA. Providing such a demonstration is consistent with Section 937(b)(3)

[224] TURN Reply Brief at 20.

[225] PG&E Reply Brief at 41-42.

[226] PG&E Reply Brief at 37.

[227] TURN Opening Brief at 35.

that requires the Commission to conduct a reasonableness review of all costs tracked in the ECNBIMA in PG&E's next GRC.

10.4.2. Utilization of Diablo Canyon Power Plant Volumetric Payments

Pursuant to SB 846,[228] PG&E is authorized to collect $13 per megawatt for Diablo Canyon production during the period of extended operations. These funds will be collected from ratepayers of the three major IOUs. This mechanism is expected to result in $446 million between 2024 and 2026.[229] As part of the Commission's process for determining the prioritization of these funds,[230] PG&E submitted an application that reported on the amount of funds collected under Section 712.8(f)(5), how it was spent, and a plan for prioritizing the uses of such funds the next year.[231]

TURN recommends that the Commission direct excess Diablo Canyon extended operation funds to energization capital projects, and that PG&E provide an update on the use of these funds in all advice letters implementing a decision in this proceeding.[232] TURN bases its recommendation on requirements of SB 410.[233]

PG&E states that it is "unable to identify how much compensation could be directed" to accelerate customer and generator interconnections because "it does not yet know, nor can it currently forecast, the amounts that would be

[228] Senate Bill 846 (Dodd, Stats. 2022, Ch. 239).

[229] TURN Opening Brief at 31.

[230] D.23-12-036.

[231] PG&E Opening Brief at 42-43.

[232] TURN Opening Brief at 34.

[233] TURN Opening Brief at 31-33.

needed for the [Diablo Canyon Power Plant]."[234] PG&E then argues that the prioritization and use of Diablo Canyon volumetric payments are out of scope in this proceeding and were addressed in D.23-12-036. In D.23-12-036, PG&E states, the Commission established a formal application process requiring PG&E to submit an application to the Commission, on an annual basis no later than March 1, 2026, and therefore PG&E asserts that Diablo Canyon funds should not be addressed here.[235]

PG&E's position on this issue ignores the requirements of SB 410 and the intent of the legislation.[236] Section 937(c) requires PG&E to identify, as part of any request for an interim rate recovery mechanism, the amount of Diablo Canyon volumetric payments "that it has forecasted it will spend on energization." More specifically, Section 932(a)(6) makes clear that Diablo Canyon funding may be available for energization:

> (6) Paragraph (1) of subdivision (s) of Section 712.8 requires the operator of the Diablo Canyon powerplant to submit annually to the commission for its review the amount of compensation earned under paragraph (5) of subdivision (f) of Section 712.8, how it was spent, and a plan for prioritizing the uses of the compensation the next year. Paragraph (1) of subdivision (s) of Section 712.8 also provides that *to the extent that it is not needed for Diablo Canyon, that compensation shall be spent on critical public purpose priorities, one of which is accelerating customer and generator interconnections.* (Emphasis added.)

Although PG&E's plan to spend Diablo Canyon volumetric payments may be addressed in A.24-03-018, if the Commission determines in A.24-03-018 that those payments should be applied to offset energization costs recorded in the

[234] PGE Ex-PhII-01 at 15.

[235] PG&E Reply Brief at 40-41.

[236] TURN Opening Brief at 32-33.

ECNBIMA, the ECNBIMA may be used for that purpose. This proceeding remains open to issue any orders necessary to implement the reduction of incremental capital spending on customer energization projects in this manner.

10.5. Alternative Approaches to Managing Load and Connecting Customers

TURN recommends that the Commission direct PG&E to look for alternative ways of addressing new service requests and capacity upgrades in the near-term before investing in infrastructure upgrades.[237]

One possible method of addressing new service requests instead of funding through the ECNBIMA is PG&E's flexible service connection pilot. TURN notes that this approach uses distributed energy resource management systems to manage distribution system constraints dynamically. Southern California Edison (SCE) uses an automatic load management (ALM) interconnection rule to connect new load more quickly, which TURN claims may negate or significantly delay the need for some of the capacity upgrades in the customer energization backlog.[238]

Another possible alternative to performing capacity upgrades includes PG&E's plan[239] to deploy a Distributed Energy Resource Management System (DERMS).[240] PG&E plans to pilot initial DERMS use cases at a limited scale in

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[237] TURN Opening Brief at 35-37.

[238] TURN Opening Brief at 36; TURN Reply Brief at 19-20.

[239] PG&E Ex-PhI-PG&E-7 at 21-2 to 21-3; "As DER penetration increases, new distribution system challenges are expected to arise including capacity constraints, power quality issues, and adverse impacts on protection systems… To address these issues, PG&E proposes to build a DERMS.."

[240] PG&E Ex-PhI-PG&E-7 at 21-AtchA-22 to 21-AtchA-23; "Distributed Energy Resource Management System (DERMS) is a foundational platform that will allow PG&E grid operators to monitor and control DERs, unlocking the ability to leverage DERs as a resource for electric system planning and operations Ultimately, a DERMS system will enable PG&E to manage

Footnote continued on next page.

2024. After evaluating the results of the pilot, PG&E will consider scaling up deploying this system in subsequent years.[241]

Although PG&E considers SCE's automated load management program and PG&E's flexible service connection pilot to be promising innovations, PG&E contends that they are not viable long-term alternatives for addressing capacity constraints caused by increasing electrification.[242]

In D.23-11-069, PG&E received funding for DERMS via the Commission's adoption of PG&E's capital expenditure forecast for this system.[243] Given that the proceeding to Modernize the Electric Grid for a High Distributed Energy Resources Future, R.21-06-017,[244] is developing new requirements that may facilitate further development of DERMS, the Commission requires PG&E to report on its work and funding for DERMs and its flexible service connection pilot and their impact on reducing the need for capacity upgrades in the next GRC.

Both EIS and DGEM, grid models cited by PG&E, discuss mitigations that can solve equipment overloads before they occur. Mitigations include flexible load management and modifications to rate design.[245] Given that the proceeding to Advance Demand Flexibility through Electric Rates, R.22-07-005, is deploying

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DERs and controllable loads (such as EV charging, air conditioners, and electric heat pumps) to support flexible grid operations. In some cases, the control of resources and loads through a DERMS system might enable the utility to supply growing loads stemming from vehicle and building electrification while moderating funding required for capacity investment."

[241] PG&E Opening Brief at 43.

[242] PG&E Reply Brief at 42-43.

[243] D.23-11-069 at 464-468.

[244] The Commission takes official notice of Rulemaking Proceeding R.21-06-017 High Distribute Energy Resources Staff Proposal dated March 13, 2024 at 58.

[245] CALPA Ex-PhII-02WP at 39.

dynamic rate pilots[246] and evaluating proposals for demand flexibility rate applications,[247] the Commission requires PG&E to report on its work and funding for dynamic and demand flexibility rates and their impact on reducing the need for capacity upgrades.

10.6. Auditor Reports and Other PG&E Requirements for Reasonableness Reviews

PG&E requests that the Commission provide clear direction regarding the audit up front and urges the Commission not to adopt additional audit requirements that veer from the selected auditor's area of expertise.[248] To be clear, the selected auditor is required to have the expertise necessary to audit costs recorded in the ECNBIMA for interim rate recovery and later reasonableness review pursuant to the SB 410 and additional requirements specified in this decision.

For the interim recovery of costs, the auditor's requirements include, but are not limited to auditing:

- PG&E's annual expended costs for energization authorized in D.23-11-069 recorded in the MWC and MATs in Table 6-D and discussed above.
- PG&E's annual expended costs tracked in the ECNBIMA for energization cost that exceed the costs authorized in D.23-11-069 in the MATs and line items in Table 6-D.
- Verification that the amounts recorded in the ECNBIMA for interim rate recovery do not exceed the cap established in Section 8 of this decision.

[246] D.24-01-032 Ordering Paragraph 1.

[247] The Commission takes official notice of Administrative Law Judge's Ruling on Track B Working Group 1 Proposals and Issue 5.

[248] PG&E Opening Brief at 38.

To evaluate PG&E's energization performance, the auditor shall review the information specified in Section 938(a)(3) to evaluate and make recommendations pursuant to Section 938(a)(4) and any additional requirements established following decisions issued in proceeding R.24-01-018.

The SB 410 auditor's biannual reports shall include an account regarding all of the above. TURN also recommends that PG&E include the auditor's reports in its GRC reasonableness review showing.[249]

Additionally, in order to comply with Section 937(b)(4), TURN recommends that the Commission direct PG&E to report any spending recorded to the ECNBIMA in a granular enough manner to allow for the review of specific line items within MWC 06, 10, 16 and 46.[250]

The Commission adopts TURN's recommendation and directs PG&E to include the SB 410 auditor's biannual reports in its next GRC. In addition to the information specified above and repeated in Ordering Paragraphs below, the Commission requires additional information from PG&E to meaningfully demonstrate in the next GRC that the costs recovered through the ECNBIMA were justly and reasonably incurred pursuant to Section 937(b)(3) and minimized pursuant to Section 937(d). This information shall be served concurrently with the December AET advice letter and include project level accounting of equipment capacities before and after construction, estimated and actual costs, allowances under Rules 15 and 16, and customer payments made in support of construction.

[249] TURN Opening Brief at 45.

[250] TURN Opening brief at 38.

10.7. Data Collection and Retention to Enable Reasonableness Review in the Next GRC

Section 463(b) requires PG&E "to prepare or maintain records sufficient to enable the commission to completely evaluate any relevant or potentially relevant issue related to the reasonableness and prudence of any expense relating to the planning, construction, or operation of the corporation's plant."

Detailed examination of the record has yielded numerous examples where items within eligible MATs and line items are not themselves eligible for inclusion into the ratemaking mechanism. An understanding of equipment capacity relative to existing and future loads is critical to evaluating whether a project is energization related and needed. Actual and forecast costs are needed to evaluate whether the cost passed on to ratepayers was incurred in a just and reasonable manner, and whether the Rule 15 and 16 allowances were issued in accordance with cost-of-service ratemaking principles. The record on data that is generated and retained for the MATs eligible for this ratemaking mechanism is undeveloped. This proceeding remains open to develop the record and determine granular data reporting requirements. Until such requirements are determined, PG&E shall retain project level data on capacities, costs, and allowances for all costs recorded to the ECNBIMA.

11. Revisiting the Cap

Both the demand for and the rate at which PG&E is delivering energization of load is rapidly evolving. The Commission finds it reasonable to leave open the possibility of reassessing in this phase of the proceeding the

extent to which future load aligns with PG&E's forecasts and PG&E's ability to rapidly increase the pace of new connection and upstream capacity projects[251].

As discussed earlier, this proceeding is only focused on one of the three primary requirements of SB 410, authorizing a requested ratemaking mechanism.[252] Other proceedings are focused on implementing the other requirements of the bill.

While SB 410's requirements are implemented in various proceedings, the Commission recognizes that they may be interdependent and collectively impact one desired outcome—timely energization for customers. Considering this interdependency, it is reasonable that this phase of the proceeding consider the outcomes of additional proceedings implementing SB 410, R.24-01-018 and R.21-06-017. The Commission expects to establish timelines and a procedure for customers to report energization delays to the Commission on or before September 30, 2024[253] in R.24-01-018.

The adopted outcomes of related proceedings or demonstration of PG&E's ability to meet its 2024 forecast may justify adjustments to reflect PG&E's accelerated scenario in the cap for 2025 and 2026. In order to align Commission proceeding outcomes, PG&E may request that the Commission revisit the 2025 and 2026 cap in this phase of the proceeding after decisions issued by the Commission in R.24-01-018 and R.21-06-017 or upon successful completion of the 2024 forecasted energization projects. In the meantime, after issuing this decision,

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[251] Upstream capacity projects include MWC 46 and MWC 06 projects that provide capacity between the transmission system and the customer's service transformer.

[252] Three primary requirements of SB 410 are: 1) improvements to energization planning, 2) establishing energization targets, and 3) authorizing a ratemaking mechanism upon request.

[253] Pub. Util. Section 934(a)(1)(2).

the Commission will have the option to consider revising the 2025 and 2026 cap based on additional evidence submitted by motion including evidence that may support accelerated work on energization projects and a higher cap on energization projects in those years. If the Commission makes adjustments to the 2025 or 2026 cap, the adjusted recovery amounts will be considered in reviewing the reasonableness of PG&E's interim rate recovery in its next GRC and subject to refund if necessary.

12. Conclusion

This decision authorizes PG&E to record and track energization costs on an interim basis in an interim memorandum account (the ECNBIMA). It does so pursuant to SB 410 requirements by defining the PG&E cost categories that meet the SB 410 definition of energization, including PG&E's definition of electric distribution capacity. As required, PG&E may only recover costs in rates included in the eligible cost categories after the cost of energization projects placed in service after January 1, 2024 exceed the costs included in PG&E's annual authorized revenue requirement for energization costs authorized in Phase I of this proceeding. The authorized sums equate to an increase in electric distribution revenue requirement of 1.98 percent for 2024, 1.18 percent for 2025, and 1.19 percent for 2026, and 4.03 percent cumulatively.[254] The $2,262 million total cost cap for years 2024-2026 ensures that ratepayers only pay for costs that are strictly needed to connect customers to the electrical distribution grid or to upgrade electrical distribution capacity.

The Commission authorizes the recovery of these costs to increase electrical distribution connections and upgrade electrical capacity in a manner

[254] The cumulative percentage is not the sum of the constituent years, as each percentage is evaluated using a different level of authorized electric distribution capital expenditure.

that will reduce greenhouse gas emissions at an increased rate. Achieving these goals requires advance planning, engineering, and construction that are the focus of the Commission's proceedings regarding energization timelines, modernizing the grid for a high distributed energy resources future, transportation electrification, and demand flexibility. Such advance planning is needed to consider the future electrical load and the electrical distribution capacity needed to reduce greenhouse gases and to achieve carbon neutrality.

13. Comments on Proposed Decision

The proposed decision of ALJs John Larsen and Justin Regnier 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 June 6, 2024 by CUE, PG&E, and TURN, and reply comments were filed on June 11, 2024 by CUE, PG&E, TURN, and Tesla. Pursuant to Rule 14.3(c), "[c]omments shall focus on factual, legal or technical errors in the proposed decision and in citing such errors shall make specific references to the record or applicable law. Comments which fail to do so will be accorded no weight." Pursuant to Rule 14.3(d), replies to comments "shall be limited to identifying misrepresentations of law, fact or condition of the record contained in the comments of other parties." In light of these provisions, modifications described below were made in response to party comments.

This decision was modified to clarify that any perceived preference in AB 841 for waiting until an IOU's next GRC only applies to consideration of that utilities Rule 29 cost forecasts and or cost reasonableness and not the policies underlying the EV infrastructure Rules.

This decision was modified to provide additional flexibility in tracking both capital expenditures and capital additions within the ECNBIMA and to clarify the manner of their inclusion within the AET ALs. Capital additions will be recovered through the AET ALs. Capital expenditures can count against the cap in the year they are incurred, but cannot be recovered until and unless the project is placed into service. Any capital expenditures that are incurred for projects not in service by January 1, 2027 will be ineligible for this ratemaking mechanism.

This decision was modified to clarify that revenue requirements approved under this ratemaking mechanism not only apply to the year after the capital additions are made, but also to subsequent years of this mechanism.

The decision was modified to clarify that Electric Rule 15 and 16 expenses are allowable and that MAT 46N expenses may be allowable to provide for the possibility that substation land acquisition expenses could be eligible if the substation is placed into service prior to January 1, 2027. The entries in eligibility Table 6D are updated accordingly.

This decision was modified to clarify that the amounts apportioned to each MWC for computing the overall cap do not limit the annual amount that can be applied to any particular MWC as long as the total does not exceed the annual cap.

In order to align Commission proceeding outcomes, PG&E may request that the Commission revisit the 2025 and 2026 cap to reflect PG&E's accelerated scenario in this phase of the proceeding after decisions issued by the Commission in R.24-01-018 and R.21-06-017 or upon successful completion of the 2024 forecasted energization projects.

On balance, this decision adopts annual caps sufficient to meet SB 410 requirements while considering affordability and ensuring that customers only pay for projects that are completed. This proceeding is being held open to allow for the submission of additional evidence of energization costs required to meet customer energization needs and other California policy interests addressed by SB 410 as set forth elsewhere in this decision. The proceeding is also held open to clarify data and reporting requirements as a result of decisions issued in other Commission proceedings.

14. Procedural Matters

This decision affirms all rulings made by the Administrative Law Judges and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

15. Assignment of Proceeding

John Reynolds is the assigned Commissioner and John Larsen and Justin Regnier are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. PG&E provided information in compliance with Pub. Util. Code Section 937(c) through testimony and exhibits.

2. Electrical capacity is reasonably defined by PG&E as: "the number of amperes of electric current a wire will carry without becoming unduly heated; the capacity of a machine, apparatus, or devices is the maximum of which it is capable under existing service conditions; the load for which a generator, turbine, transformer, transmission circuit, apparatus, station, or system is rated." because this is the established and accepted use of the term in documents governing energization.

3. Major Work Categories do not provide sufficient granularity because not all work performed within them is energization related.

4. Major Work Category 10 (MWC - "Work Required by Others") projects are eligible for the ratemaking mechanism as energization projects defined by Pub. Util. Code Sections 937(b) and 931(b) because this category contains activities that are associated with energization within the New Business- or Government-related line items and approximately 24 percent of MWC 10 costs are energization-related projects.

5. MAT 46A ("Normal Capacity") projects are eligible for the ratemaking mechanism as energization projects defined by Pub. Util. Code Sections 937(b) and 931(b) because the work needed to maintain peak load requirements associated with them is attributable to the customers served by that distribution substation.

6. MAT 46F ("Emergency and Operational Capacity") projects are not eligible for the ratemaking mechanism as energization projects defined by Pub. Util. Code Sections 937(b) and 931(b) because such work is intended to provide flexibility during emergency events or other abnormal grid operation, not known or planned load associated with capacity needed for normal grid operation.

7. MAT 46H ("New Business Related Capacity") projects driven by the need to serve peak load are eligible for the ratemaking mechanism as energization projects defined by Pub. Util. Code Sections 937(b) and 931(b) because the work addresses capacity deficiencies for New Business demand increases, largely driven by identified projects.

8. MAT 46H ("New Business Related Capacity") projects that are required to accommodate supply-side resources are not eligible for the ratemaking

mechanism because the energization definition established by Pub. Util. Code Section 931 (b) excludes supply-side resources.

9. MAT 46N ("New Substation Land Purchase") projects may be eligible for the ratemaking mechanism as energization projects when associated with providing electrical service to a new customer or upgrading electrical service to an existing customer upon energizing significant load.

10. MAT 06A ("Feeder Projects Associated with Substation Work") projects required to serve peak load are eligible for the ratemaking mechanism as energization projects defined by Pub. Util. Code Sections 937(b) and 931(b) because this category is used to record feeder work associated with MAT 46A ("Normal Capacity") and 46H ("New Business Related Capacity") projects needed to accommodate load.

11. MAT 06A projects that are in support of MAT 46H work required to accommodate supply side resources are subject to exclusion from the ratemaking mechanism because the energization definition established by Pub. Util. Code Section 931 (b) excludes supply-side resources.

12. MAT 06B ("Overloaded Transformers") projects are eligible for the ratemaking mechanism as energization projects defined by Pub. Util. Code Sections 937(b) and 931(b) because they are used to record work associated with transformers that have been identified by SmartMeter data as overloaded.

13. MATs 06D and 06E projects are eligible for the ratemaking mechanism as energization projects defined by Pub. Util. Code Sections 937(b) and 931(b) because these circuit reinforcement projects install or replace circuit conductors or devices to meet voltage, operational and capacity needs.

14. MAT 06G ("Voltage Complaints") projects are not eligible for the ratemaking mechanism as energization projects defined by Pub. Util. Code

Sections 937(b) and 931(b) because this work addresses customer voltage complaints not shown to be associated with increased customer load.

15. MAT 06H ("New Business Related Capacity, Emergent Capacity") projects are eligible for the ratemaking mechanism as energization projects defined by Pub. Util. Code Sections 937(b) and 931(b) because they are used to record capacity reinforcement projects needed to eliminate overloads due to new developments or load increase from existing customers.

16. MAT 06I ("Operational Capacity") projects are not eligible for the ratemaking mechanism as energization projects defined by Pub. Util. Code Sections 937(b) and 931(b) because they are used to record work on the feeder that is analogous to MAT 46F work within the substation.

17. MAT 06K ("Power Factor") projects are not eligible for the ratemaking mechanism as energization projects defined by Pub. Util. Code Sections 937(b) and 931(b) because they are used to record the cost for installation of Supervisory Control and Data Acquisition devices on existing, strategically located capacitor banks and do not provide any additional capacity.

18. MAT 06P ("Enable Distributed Generation") projects are not eligible for the ratemaking mechanism as energization projects defined by Pub. Util. Code Sections 937(b) and 931(b) because they are used exclusively to support supply side resources.

19. MAT 06# ("Line Regulator Revolving Stock") projects are not eligible for the ratemaking mechanism as energization projects defined by Pub. Util. Code Sections 937(b) and 931(b) because they are used to support revolving and rebuilding line voltage regulators and do not necessarily provide additional capacity.

20. It is reasonable to track energization costs with the Maintenance Activity Types and line items within Major Work Categories (MWCs) 06 ("Distribution Line Capacity"), 10 ("Work Requested by Others"), 16 ("New Business"), and 46 ("Distribution Substation Capacity") and the Maintenance Activity Types as identified in Table 6-D.

21. It is reasonable to reduce the eligibility of transformer purchases and scrapping for the ratemaking mechanism as energization projects defined by Pub. Util. Code Sections 937(b) and 931(b) by 70 percent because this is the precise factor used by PG&E in its workpapers and corresponds to the estimate of one-third of transformers used for energization given in its opening brief.

22. Approximately 2 percent of the MWC 16 AB 50 projects line item in MWC 16 is comprised of PEV projects subject to Rules 15, 16, and 29.

23. PG&E's forecasted costs for the MWC 16 PEV line item are largely attributable to Rule 29 projects.

24. Transferring energization costs recorded in an energization cost balancing or memorandum account to the Distribution Revenue Adjustment Mechanism without approval is not reasonable because such inclusion without prior review of their scope and approval would commingle costs that have been examined and approved by the Commission with those that have not had this review.

25. It reasonable to base the annual energy cost cap on the following because these factors align with the record and statute as well as providing sufficient granularity for a meaningful review of expenditures:

- Costs forecast based on incremental completions and unit costs for the MATs or line items that the Commission found eligible in Section 6 for recording energization costs in the ECNBIMA;

- Capital additions per year once the projects associated with the capital expenditures are placed into service;
- The forecasted costs and completions rather than PG&E's accelerated scenario;
- A cap amount for 2024 that supports timely recovery of funds expended on projects subject to AB 50 requirements; and
- Evaluation of forecasts for each MAT or line item against authorized D.23-11-069 amounts and adjustment of those sums as supported by the record.

26. Doubling the pace of new business connections within one year may not be realistic because past performance does not support a conclusion that current planning and construction processes will support this pace.

27. It is reasonable to allow PG&E to shift some of the work to address its backlog of energization requests from 2024 into 2025 to give PG&E two years rather than one year to complete this work, basing the 2024 customer connections contribution to the cap on the number of forecasted connection requests and 80 percent of the MWC 16's remaining AB 50 projects line item.

28. It is also reasonable to allow capital expenditures to be counted towards the cap for the year in which they were accrued, and to allow their resultant revenue requirements to earn interest at the commercial paper level.

29. The 2025 cap reflects forecasted connection request numbers and the final 20 percent of AB 50 customer connection projects.

30. It is reasonable to consider reevaluation of the accelerated scenario forecast if PG&E executes the projects included in their base scenario forecast at the forecast level of ratepayer cost.

31. The caps shown in Table 8-A above for the years 2024-2026 balance the goals of adopting a realistic cap on annual energization costs, ensuring PG&E has time to complete the energization work, and addressing affordability.

32. PG&E's performance in meeting energization time periods is only one factor to be considered when reviewing the reasonableness of expenditures associated with PG&E's actions.

33. The potential use of LCFS holdback revenues, which target EV-related new business applications that require capacity upgrades, is within the scope of costs PG&E proposes to record to the ECNBIMA because these revenues will reduce the need to use the ratemaking mechanism.

34. The proceeding to Modernize the Electric Grid for a High Distributed Energy Resources Future, R.21-06-017, is developing new requirements that may facilitate further development of DERMS.

35. The proceeding to Advance Demand Flexibility through Electric Rates, R.22-07-005, is deploying dynamic rate pilots and evaluating proposals for demand flexibility rate applications.

36. Upon a request from PG&E and the submission of new evidence, the Commission may revisit the 2026 cap amount to evaluate the accelerated scenario forecast or any adopted outcomes from related proceedings.

Conclusions of Law

1. PG&E's request for a ratemaking mechanism satisfies the requirements of Pub. Util. Code Section 937(c).

2. PG&E's request to track costs annually through an Electric True-Up Advice Letter satisfies the requirements of Pub. Util. Code Section 937(b)(3) to track costs through an annual rate adjustment.

3. PG&E used the cost categories in Table 6-D in its last GRC proceeding, A.21-06-021, and these costs, as qualified in Table 6-D, are energization costs as defined by Pub. Util. Code Sections 937(b) and 931(b).

4. Projects or work categorized by the Major Work Categories, Maintenance Activity Types, and line items as qualified in Table 6-D are energization projects defined by Pub. Util. Code Sections 937(b) and 931(b).

5. AB 841, as implemented in Resolution E-5167, which allows for "evaluating the EV Infrastructure Rules all at once in 2025," expresses a preference for waiting until an IOU's "next GRC" to consider Rule 29 costs forecasts and/or cost reasonableness.

6. SB 410, which gives the Commission discretion in setting the cap and clarifies subjecting costs to refund, provides an additional guardrail against affordability concerns.

7. The Commission should approve the selection of the third-party auditor in the April 10, 2024 ALJ ruling to perform and fulfill the requirements of SB 410.

8. Requiring PG&E and the auditor to provide data on average project costs is consistent with the requirement of Section 938(a)(3), will foster transparency and accountability, and assist the Commission in modifying energization tariff rules to require customers requesting energization to bear some of the costs, especially the costs of delays caused by the factors under the customers' control.

9. Requiring PG&E to exhaust all non-ratepayer sources of funding to support new connections before investing ratepayer funds in electrical distribution infrastructure upgrades is reasonable.

10. It is reasonable to evaluate the extent to which future load aligns with PG&E forecasts.

11. It is reasonable that this phase of the proceeding consider the outcomes of additional proceedings, including R.24-01-018 and R.21-06-017, that may require adjustments to the cap.

12. It is reasonable to reassess PG&E's ability to rapidly increase the pace of new connection and upstream capacity projects upon the auditor's review of a full year of this ratemaking mechanism.

13. It is reasonable to keep this proceeding open to allow the Commission to consider the information provided from related proceedings, advice letters, and auditor reports that may impact the decisions made here, including progress made on AB 50 projects.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized to establish the Electric Capacity and New Business Interim Memorandum Account (ECNBIMA) to record energization costs pursuant to Senate Bill 410 (Becker), Stats. 2023, ch. 394, and to include revenue requirements resulting from capital additions recorded within the ECNBIMA in its Annual Electric True Up Advice letters as the ratemaking mechanism granting interim rate recovery for such costs, subject to reasonableness review in PG&E's next general rate case.

2. Pacific Gas and Electric Company (PG&E) shall track energization costs at the Maintenance Activity Type (MAT) and line item level and only record costs in the ratemaking mechanism once the annual amount authorized for that MAT or line item in Decision 23-11-069 has been expended on energization related projects.

3. Pacific Gas and Electric Company may track Major Work Category (MWC) 10 costs in the ratemaking mechanism authorized by this decision once

the following three conditions have been satisfied: 1) the cost must be related to New Business- or Government- related line items as those are the only energization activities within MWC 10; 2) the full MWC 10 amount authorized in Decision 23-11-069 must have been expended prior to recording any amounts under the MWC 10 lines in the ratemaking mechanism to meet the requirement that general rate case authorized costs be exhausted; and 3) at least 24 percent of the MWC 10 costs used to satisfy the second condition must have been expended on new business- or government- related energization projects.

4. Pacific Gas and Electric Company shall not modify what is included in Maintenance Activity Types (MATs) or line items or add new MATs or line items to the Major Work Categories for the ratemaking mechanism authorized by this decision.

5. Pacific Gas and Electric Company may include Major Work Category (MWC) 16 transformer costs in the ratemaking mechanism authorized by this decision once the following three conditions are satisfied: 1) the cost must be related to the installation of transformers that increase capacity in response to an actual or projected increase in load; 2) the full Decision 23-11-069 authorized MWC 16 capital expenditure amounts for the transformer purchasing and scrapping lines must have been expended prior to recording any amounts under the MWC 16 transformer purchasing or transformer scrapping lines in the ratemaking mechanism; and 3) 30 percent of the MWC 16 line item amounts used to satisfy the second condition must have been expended for MWC 16 transformer purchase or transformer scrapping energization projects.

6. Pacific Gas and Electric Company shall maintain its existing methodology for tracking all Rule 29 costs in its Electric Vehicle Infrastructure Rule

Memorandum Account for the Commission's review and decision in the next general rate case.

7. Pacific Gas and Electric Company shall exclude the Rule 29 costs within the Major Work Category 16 plug-in electric vehicle line item from the costs eligible for recording through the Electric Capacity and New Business Interim Memorandum Account.

8. Pacific Gas and Electric Company shall exclude the plug-in electric vehicle portion of the Assembly Bill 50 (Wood), Stats. 2023, ch. 317 projects line item from the costs eligible for recording through the Electric Capacity and New Business Interim Memorandum Account.

9. Pacific Gas and Electric Company shall collect and retain the data whose development is discussed in Sections 10.6 and 10.7 of this decision for review by the third-party auditor.

10. All of Pacific Gas and Electric Company's data that is collected and retained pursuant to this decision shall include whether the project is for existing customers or for new customers.

11. The Electric Capacity and New Business Interim Memorandum Account shall account for both capital expenditures and capital additions within individual line items for each Maintenance Activity Type (MAT) as discussed in Section 6 and 8 of this decision and shall utilize the accounting methodologies and categorization of expenses from Decision (D.) 23-11-069 without modification. Upon reaching the level of capital expenditures authorized for each MAT in D.23-11-069, the criteria for recovering costs shall transition from a capital expense basis to capital additions.

12. No Maintenance Activity Type (MAT) or line item within the Electric Capacity and New Business Interim Memorandum Account shall be eligible for

any rate recovery until that MAT or line item's balance exceeds the annual capital expenditures authorized in Decision 23-11-069.

13. Actual rate recovery for Maintenance Activity Type or line item balances that exceed the annual capital expenditures authorized in Decision 23-11-069 shall be through the Annual Electric True Up Advice Letter process after the associated projects have been placed in service and any available non-ratepayer sources of funding have been exhausted.

14. All energization costs allowed under the annual cap in this decision shall also be verified by the required audit and subject to reasonableness review and possible refund in the next general rate case.

15. The selection of the third-party auditor in the April 10, 2024 Administrative Law Judges ruling as the third-party auditor to perform and fulfill the requirements of Senate Bill 410 (Becker), Stats. 2023, ch. 394, is approved.

16. Pacific Gas and Electric Company shall not recover the costs of the third-party auditor from ratepayers.

17. The third-party auditor shall evaluate Pacific Gas and Electric Company's (PG&E's) performance utilizing current energization practices and procedures and its future planning for demand growth, and the auditor shall make determinations as to whether PG&E is adequately anticipating and meeting customer demand, adequately recruiting and retaining staff, and training workforce, and whether staffing and capital projects are funded at sufficient levels to meet forecasted demand growth.

18. After reviewing the information specified in Public Utilities Code Section 938(a)(3) and this decision, the third-party auditor shall provide an initial report covering that information and its requirements pursuant to this decision

to the Commission on March 1, 2025 and twice per year thereafter by March 1 and September 1.

19. Pacific Gas and Electric Company shall submit the third-party auditor's reports as an exhibit in its next general rate case.

20. Pacific Gas and Electric Company shall serve the required data metrics via an annual Tier 1 Advice Letter, similar to the Decision 23-12-037 process, to the service lists for this proceeding and Rulemaking 24-01-008.

21. The third-party auditor shall verify and report on the number and scope of energization projects completed each year and recommend which types of projects are similar enough to provide meaningful average costs or costs that correlate with known data (e.g., transformer size, length and size of installed conductor) along with their average costs or correlations.

22. If the Commission approves Pacific Gas and Electric Company's (PG&E's) Low Carbon Fuel Standard (LCFS) Implementation Plan, PG&E shall submit testimony in its next general rate case that demonstrates how it took advantage of LCFS funds to energize customers in lieu of, or to reduce, distribution investment costs recorded to the ratemaking mechanism authorized in this decision.

23. If the Commission determines in Application 24-03-018 or any other application filed pursuant to Decision 23-12-036 that Diablo Canyon volumetric payments should be applied to offset energization costs recorded in the Electric Capacity and New Business Interim Memorandum Account (ECNBIMA) that would have otherwise been subject to recovery in the electric True Up Advice Letters, the ECNBIMA may be used for that purpose.

24. Pacific Gas and Electric Company shall report on its work and funding for Distributed Energy Resource Management Systems and its flexible service

connection pilot and their impact on reducing the need for capacity upgrades to the third-party auditor no later than January 1 and July 1 of each year and in its next general rate case. The advice letter proposing its flexible service connection pilot shall be served upon this proceeding's service list.

25. Pacific Gas and Electric Company shall report on its work and funding for dynamic and demand flexibility rates and their impact on reducing the need for capacity upgrades to the third-party auditor no later than January 1 and July 1 of each year and these reports shall be submitted as testimony in its next general rate case.

26. The third-party auditor's reports shall include, but are not limited to, an audit of:

- Pacific Gas and Electric Company's (PG&E's) annual expended costs for energization authorized in Decision (D.) 23-11-069 recorded in the Major Work Category and Maintenance Activity Type (MAT) in Table 6-D and discussed in this decision.
- PG&E's annual expended costs tracked in the Electric Capacity and New Business Interim Memorandum Account (ECNBIMA) for energization costs that exceed the costs authorized in D.23-11-069 in the MATs and line items in Table 6-D.
- Verification that the amounts recorded in the ECNBIMA for interim rate recovery do not exceed the cap established in Section 8 of this decision.

27. In its next general rate case, Pacific Gas and Electric Company shall report the following, in addition to other requirements:

(a) Any spending recorded to the energization cost mechanism authorized in a granular enough manner to allow for the review of Maintenance Activity Types and specific line items within Major Work Categories 06, 10, 16 and 46; and

(b) The project level accounting of equipment capacities before and after construction, estimated and actual costs, allowances under Rules 15 and 16, customer payments made in support of construction, and other relevant data served concurrently with each December annual electric true-up advice letter.

28. Pacific Gas and Electric Company may request that the Commission revisit and change the 2025 and 2026 cap in this phase of the proceeding based on new evidence supporting PG&E's accelerated scenario forecast, including decisions issued in Rulemaking (R.) 24-01-018 and R.21-06-017, advice letter filings, auditor reports, other information ordered in this decision, and any other relevant information.

29. Application 21-06-021 remains open.

This order is effective today.

Dated _____, 2024, at San Francisco, California.

APPENDIX A

D.23-11-069 Authorized, PG&E Base Scenario Forecasted, and Incremental Contributions to Cap

Attachment 1:

A2106021 Larsen Regnier PD REV 2_REDLINED VERSION