

Decision 24-09-003 September 12, 2024

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

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

Application 23-12-001

**DECISION GRANTING, IN PART, MOTION BY  
PACIFIC GAS AND ELECTRIC COMPANY  
FOR WILDFIRE MITIGATION AND  
CATASTROPHIC EVENTS INTERIM RATES**

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**DECISION GRANTING, IN PART, MOTION BY  
PACIFIC GAS AND ELECTRIC COMPANY  
FOR WILDFIRE MITIGATION AND  
CATASTROPHIC EVENTS INTERIM RATES**

**Summary**

This decision grants, in part, the January 29, 2024 motion filed by Pacific Gas and Electric Company (PG&E) requesting interim rate recovery, subject to refund, of approximately \$943.9 million, plus interest, associated with costs for activities mainly performed in 2022-2023. The majority of the costs relate to wildfire mitigation activities recorded in the Vegetation Management Balancing Account and to catastrophic events recorded in the Catastrophic Events Memorandum Account. The Commission's interim rate authorization of approximately \$943.9 million, plus interest, represents 55% of the total amount, approximately \$2.1 billion, that PG&E seeks authority to collect from ratepayers in this proceeding. All costs recovered as a result of this decision remain subject to reasonableness review and refund, with interest, if later found unreasonable. PG&E is authorized to file a Tier 1 Advice Letter as soon as practicable to implement the interim rate increase over a 17-month collection period. This decision denies PG&E's additional request to recover amounts above 55% of the \$2.1 billion at the end of this 17-month collection period if a decision on the reasonableness of the total amount remains pending.

This proceeding remains open.

**1. Background**

Today's decision addresses a request by Pacific Gas and Electric Company (PG&E) for interim rate recovery, subject to refund, which PG&E initially filed on December 1, 2023 together with Application (A.) 23-12-001, *Application of Pacific Gas and Electric Company (U 39 M) for Recovery of Recorded Expenditures Related to*

*Wildfire Mitigation, Catastrophic Events, and Other Recorded Costs (Application).*<sup>1</sup>

PG&E subsequently modified its interim rate request on January 29, 2024.

In the Application, PG&E seeks approval to recover approximately \$2.1 billion, which, according to PG&E, are costs incurred in 2022 relating to vegetation management and wildfire mitigation activities plus activities over the course of several years in response to catastrophic government-declared emergency events.<sup>2</sup> These costs are recorded in the following memorandum and balancing accounts: (1) Wildfire Mitigation Balancing Account (WMBA), (2) Vegetation Management Balancing Account (VMBA), and (3) Catastrophic Events Memorandum Account (CEMA).<sup>3</sup> PG&E also seeks approximately \$32 million recorded in eight other memorandum accounts.<sup>4</sup>

On January 8, 2024, Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and The Utility Reform Network (TURN) filed protests to PG&E's Application. On January 18, 2024, PG&E filed a reply to the protests.<sup>5</sup>

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<sup>1</sup> All pleadings filed in this proceeding are available on the Commission's website at *Docket Card* and by searching *A2312001*.

<sup>2</sup> PG&E Application at 4-5.

<sup>3</sup> PG&E Application at 4-5. To the extent applicable, the amounts noted are above the reasonableness thresholds previously determined by the Commission.

<sup>4</sup> PG&E Application at 14 and 9-12. PG&E states that costs of approximately \$32 million are recorded in the following eight memorandum accounts: (1) COVID-19 Pandemic Protections Memorandum Account (CPPMA); (2) Disconnections Memorandum Account (DMA); (3) Emergency Consumer Protections Memorandum Account (ECPMA); (4) California Consumer Privacy Act Memorandum Account (CCPAMA); (5) Percentage of Income Payment Plan Memorandum Account (PIPPMA); (6) Residential Rate Reform Memorandum Account (RRRMA); (7) Microgrids Memorandum Account; and (8) Climate Adaptation Vulnerability Assessment Memorandum Account.

<sup>5</sup> PG&E January 18, 2024 Reply to Protests.

The costs presented in PG&E's Application require a finding by the Commission that the amounts are "just and reasonable" under relevant laws. PG&E's Application requests, among other things, that the Commission find pursuant to Public Utilities Code (Pub. Util. Code) Sections 451, 454, 454.9, 701, and 8386.4(b), Decision (D.) 20-12-005, and other related authorities, that these wildfire mitigation, vegetation management costs, catastrophic event-related costs, and other costs are "just and reasonable."<sup>6</sup>

PG&E explains that the relief sought in its request for interim rate recovery is to collect a portion of the total amount, approximately \$2.1 billion, subject to refund, while the Commission continues to evaluate the reasonableness of the total costs PG&E requests to recover.<sup>7</sup> In terms of the amount sought by PG&E through interim rates, PG&E's request changed during the pendency of this proceeding. PG&E initially requested authority to recover from ratepayers on an interim basis approximately \$1.458 billion, excluding interest, over 17 months, which represented 85% of the approximately \$2.1 billion in revenue requirement sought in this proceeding.<sup>8</sup> PG&E submitted this initial request to the Commission on December 1, 2023 in the *Motion of Pacific Gas and Electric Company (U39M) for Wildfire Mitigation and Catastrophic Events Interim Rates* (December 1, 2023 Motion).

On December 18, 2023, in response to PG&E's December 1, 2023 Motion, Cal Advocates and TURN filed responses in opposition. PG&E filed a reply on December 28, 2023.

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<sup>6</sup> All section references are to the Pub. Util. Code, unless otherwise specified.

<sup>7</sup> PG&E December 1, 2023 Motion at 2.

<sup>8</sup> PG&E December 1, 2023 Motion at 2.

PG&E revised its request on January 29, 2024, in its *Supplemental Motion for Wildfire Mitigation and Catastrophic Events Interim Rates* (January 29, 2024 Supplemental Motion) and reduced its request to 55% of \$2.1 billion (or approximately \$943.9 million, plus interest)<sup>9</sup> over a period of 17 months beginning March 1, 2024 or as soon as practicable. PG&E maintained that the Commission also authorize collection of up to 85% if a Commission decision on the underlying Application is not issued before the end of the 17-month collection period.<sup>10</sup> Additional details about PG&E's revised request are set forth below.

On February 9, 2024, a prehearing conference was held and the topic of PG&E's revised interim rate request filed on January 29, 2024 was addressed.<sup>11</sup>

On February 13, 2024, TURN filed a response in opposition to PG&E's January 29, 2024 Supplemental Motion. On February 23, 2024, PG&E filed a reply to TURN.<sup>12</sup>

This decision finds that PG&E's initial request dated December 1, 2023 which sought 85% of the total amount in interim rate relief was rendered moot by PG&E's January 29, 2024 Supplemental Motion. This decision makes no determination on PG&E's request set forth in its Application regarding whether the total costs presented in this proceeding of approximately \$2.1 billion are "just

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<sup>9</sup> PG&E January 29, 2024 Supplemental Motion at 7.

<sup>10</sup> PG&E January 29, 2024 Supplemental Motion at 1-2. PG&E's revised request included a procedural component, that the parties agreed that Cal Advocates' testimony should be due later in the year, in November 2024. Other details of PG&E's revised request are described later in this decision.

<sup>11</sup> The transcript of the prehearing conference is available at the *Docket Card* on the Commission's website.

<sup>12</sup> PG&E February 23, 2024 Reply.

and reasonable” under Pub. Util. Code Section 451 and related authorities. This decision only addresses the terms of PG&E’s request for interim rate relief set forth in its revised request dated January 29, 2024.

## **2. Issue Presented**

The issue before the Commission is whether PG&E has sufficiently proven that interim rate recovery, subject to refund, is warranted regarding 55% (approximately \$943.9 million, plus interest) and up to 85% (approximately \$1.458 billion, plus interest) of the total costs presented of approximately \$2.1 billion in this proceeding if a Commission decision on the underlying Application is not issued before the end of the 17-month collection period on the basis that “fairness to both the utility and the public required immediate action.”<sup>13</sup>

## **3. Burden of Proof – Interim Rate Increases**

This proceeding is a ratesetting proceeding.<sup>14</sup> In ratesetting proceedings, the utility must meet the burden of proving by the preponderance of evidence that it is entitled to the relief requested.<sup>15</sup> No disputed issue of material fact was identified in connection with PG&E’s request for interim rate recovery and, as a result, the Commission’s resolution of PG&E’s request rests on the merits of the arguments of policy and law presented in the pleadings.<sup>16</sup> Intervenors do not have the burden of proving the unreasonableness of utility’s arguments in a

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<sup>13</sup> Decision (D.) 23-06-004, *Decision Granting Interim Rate Recovery* (PG&E) (June 8, 2023) at 10, citing to *Toward Utility Rate Normalization v. Public Utilities Commission* (TURN v. PUC) (1988) 44 Cal.3d at 879.

<sup>14</sup> April 19, 2024 *Assigned Commissioner’s Scoping Memo and Ruling* at 8.

<sup>15</sup> D.20-10-026, *Decision Approving Interim Rate Recovery* (Decision Approving PG&E Request) (October 22, 2020) at 21-22, citing to D.03-09-021, *In the Matter of the Application of California Water Company* (September 5, 2003) at 17.

<sup>16</sup> D.20-10-026, *Decision Approving PG&E Request* at 22.

ratesetting proceeding but may challenge the utility's rationale and conclusions.<sup>17</sup> Once the parties have completed their arguments, the Commission's role is to weigh arguments presented and approve, modify, or deny the utility's request for interim rate recovery, in whole or in part.<sup>18</sup>

#### **4. Standard of Review – Interim Rate Recovery**

As affirmed by the California Supreme Court, the Commission has the power to authorize interim rate recovery prior to determining, as required by Pub. Util. Code Section 451, the reasonableness of the utility's costs.<sup>19</sup> The Court found that "the commission's authority to grant interim rate relief is well established"<sup>20</sup> and described relevant facts as situations "in which fairness to both the utility and the public required immediate action."<sup>21</sup>

In applying the Court's standard of "fairness to both the utility and the public required immediate action" to the facts of past proceedings, the Commission has weighed a number of factors when deciding whether to grant or deny a utility's interim rate request, including the following: promote fairness to

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<sup>17</sup> D.20-10-026, *Decision Approving PG&E Request* at 22.

<sup>18</sup> D.20-10-026, *Decision Approving PG&E Request* at 22.

<sup>19</sup> *TURN v. PUC*, 44 Cal.3d 870 (1988); D.20-10-026, *Decision Approving PG&E Request* at 23, citing to *City of Los Angeles v. Public Utilities Commission* (1972) 7 Cal.3d 331 (the Commission "may grant interim rate increases should it find them appropriate"), citing to *Pacific Telephone and Telegraph Company* (1949) 48 Cal.P.U.C. 487.

<sup>20</sup> D.20-10-026 *Decision Approving PG&E Request* at 23, citing to *TURN v. PUC* (1988) 44 Cal.3d 870 at 877.

<sup>21</sup> D.23-06-004, *Decision Granting Interim Rate Recovery (PG&E)*, at 10, citing to *TURN v. PUC* (1988) 44 Cal.3d at 879.



both the utility and the public;<sup>22</sup> reduce the potential for rate shock;<sup>23</sup> preserve the financial integrity of the utility, minimize costs incurred by ratepayers, and ensure rate stability;<sup>24</sup> and smooth rate impacts on customers.<sup>25</sup> In addition, “intergenerational equity” has been considered, so that ratepayers on whose behalf the utility incurred the costs are the ones who pay for the costs.<sup>26</sup> Moreover, the Commission recently confirmed that not all the above factors must be established but “[a]ny one of those factors may be sufficient for the Commission to grant relief.”<sup>27</sup>

In the past several years, the Commission has authorized interim rate recovery more frequently, primarily in proceedings involving energy utilities

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<sup>22</sup> D.20-10-026, *Decision Approving PG&E Request at 23*, citing to D.02-07-031, *Opinion Granting Interim Rate Increase of 2¢/kWh* (July 17, 2002) at 14 (fairness not an emergency is required); D.19-04-039, *Interim Decision Granting Interim Rate Relief and Denying Recovery of Forecasted Costs* (PG&E) (April 25, 2019) at 6.

<sup>23</sup> D.20-10-026, *Decision Approving PG&E Request at 23*, citing to D.16-08-003, *Interim Decision Authorizing Memorandum Accounts and Interim Rate Increase Subject to Refund* (Sempra Utilities) (August 18, 2016) at 9.

<sup>24</sup> D.20-10-026, *Decision Approving PG&E Request at 23*, citing to D.88-05-074, *Interim Order* (SCE) (May 25, 1988) at 19.

<sup>25</sup> D.20-10-026, *Decision Approving PG&E Request at 23*, citing to D.19-04-039, *Interim Decision Granting Interim Rate Relief and Denying Recovery of Forecasted Costs* (PG&E) (April 25, 2019).

<sup>26</sup> D.23-06-004, *Decision Granting Interim Rate Recovery* (PG&E) at 10 (decision granting motion by PG&E for \$1.104 billion (85% of total requested) over 12-months in interim rate recovery for wildfire-related and catastrophic event-related costs primarily incurred in 2021.), citing to D.22-05-001, *Decision Denying San Diego Gas & Electric Company’s Application For Interim Rate Relief* (May 5, 2022) at 13-14; May 22, 2020 *Administrative Law Judge Ruling Denying SCE’s Motion for Interim Rate Recovery in A.19-08-013*.

<sup>27</sup> D.20-10-026, *Decision Approving PG&E Request at 23*, citing to D.02-07-031, *Opinion Granting Interim Rate Increase of 2¢/kWh* (July 17, 2002) at 12-13.

seeking expeditious recovery of costs related to wildfire mitigation and catastrophic events recorded in memorandum and balancing accounts.<sup>28</sup>

## **5. Position of Parties**

### **5.1. PG&E**

In PG&E's initial motion, the December 1, 2023 Motion, PG&E sought approval to include in rates 85% (approximately \$1.458 billion, plus interest) of PG&E's total request on an interim basis, subject to refund.<sup>29</sup> As explained above, PG&E's January 29, 2024 Supplemental Motion modified its request, and PG&E now seeks authority to include in customer rates 55% (approximately \$943.9 million, plus interest), subject to refund, of the total request over a 17-month period beginning on March 1, 2024 or as soon as practicable.<sup>30</sup> PG&E's January 29, 2024 Supplemental Motion retains the 85% component in certain circumstances, as PG&E further requests that, because a final decision may remain pending at the conclusion of the requested 17-month collection period, that PG&E be authorized to continue to collect costs from ratepayers until PG&E has recovered 85% of the total amount requested after the expiration of this 17-month period, which would be approximately \$1.458 billion, plus interest.<sup>31</sup> PG&E's request is that any authorization granted herein be "subject to refund,"

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<sup>28</sup> See, e.g., D.24-02-010 (interim rate approval for San Diego Gas & Electric Company (SDG&E)); D.24-03-006 (interim rate approval for PG&E), D.23-06-004 (interim rate approval for PG&E); D.20-10-026 (interim rate approval for PG&E), D.19-04-039 (interim rate approval for PG&E); D.16-08-003 (interim rate approval for SDG&E and Southern California Gas Company (SoCalGas)); D.02-07-031 (interim rate approval for Sierra Power Company); D.88-05-074 (interim rate approval for Southern California Edison Company (SCE)). The Commission has also not authorized interim rate approval, in certain circumstances, see, e.g., D.22-05-001 (denial of interim rates for SDG&E).

<sup>29</sup> PG&E January 29, 2024 Supplemental Motion at 6.

<sup>30</sup> PG&E January 29, 2024 Supplemental Motion at 1-2.

<sup>31</sup> PG&E January 29, 2024 Supplemental Motion at 6.

meaning to the extent the Commission's final decision in this proceeding approves a lower level of cost recovery than authorized through interim rates, the difference be returned to ratepayers with interest.<sup>32</sup>

PG&E estimates that its request to recover 55% of the total (approximately \$943.9 million, plus interest) will result in a \$5.16 increase to the average residential monthly bill (also expressed as a 2.3% increase), as compared to PG&E's rates effective January 1, 2024.<sup>33</sup>

In support of its request for interim rate recovery of 55%, PG&E cites direct financial benefits to ratepayers in accrued interest savings of approximately \$67 million.<sup>34</sup> PG&E also cites indirect financial benefits for both ratepayers and PG&E.<sup>35</sup> Ratepayers and the utility, according to PG&E, will indirectly benefit because interim rates will promote positive perceptions of regulatory risks and PG&E's related credit metrics.<sup>36</sup> PG&E also states that relief is particularly appropriate now based on PG&E having not recovered, as of the filing date of its Application, approximately \$6 billion related to wildfire mitigation activities.<sup>37</sup>

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<sup>32</sup> PG&E January 29, 2024 Supplemental Motion at 2.

<sup>33</sup> PG&E January 29, 2024 Supplemental Motion at 15-16. These figures assume a March 1, 2024 implementation date. The decrease presented in the revised proposal as compared to the original proposal stems from the fact that rates increased on January 1, 2024.

<sup>34</sup> PG&E January 29, 2024 Supplemental Motion at 11-15, Attachment A (Declaration by Margaret Becker) at 12, stating: "By providing interim rate relief commencing March 2024, customer[s] will save approximately \$67 million in interest costs compared to recovery commencing upon a final decision effective January 1, 2025, approximately one year after this application."

<sup>35</sup> PG&E January 29, 2024 Supplemental Motion at 14 and Attachment A (Declaration by Margaret Becker) at 12.

<sup>36</sup> PG&E January 29, 2024 Supplemental Motion at 11-15 and Attachment A (Declaration by Margaret Becker).

<sup>37</sup> PG&E January 29, 2024 Supplemental Motion at 11-12, stating: "Exacerbating PG&E's limitation on new financing is the lack of timely recovery of very substantial costs that have

*Footnote continued on next page.*

PG&E explains that “[e]xacerbating PG&E’s limitation on new financing is the lack of timely recovery of very substantial costs that have been incurred over the last several years, but have yet to be recovered in rates.”<sup>38</sup> PG&E further states that “the uncertainty of the timing and outcome of cost recovery reviews” by the Commission for the remaining accounts “continues to negatively impact PG&E’s credit metrics.”<sup>39</sup>

For these reasons, PG&E concludes the “lack of timely recovery of very substantial costs” and fairness to both ratepayers and PG&E together with “the extraordinary financial pressure currently facing PG&E” in the form of regulatory risks and PG&E’s related credit metrics justify the request for interim

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been incurred over the last several years, but have yet to be recovered in rates. As of September 30, 2023, PG&E had recorded an aggregate amount of approximately \$6 billion in costs for the CEMA, Wildfire Expense Memorandum Account, Fire Hazard Prevention Memorandum Account (FHPMA), Fire Risk Mitigation Memorandum Account (FRMMA), Wildfire Mitigation Plan Memorandum Account (WMPMA), VMBA, WMBA, MGMA, and Risk Transfer Balancing Account (RTBA). This large uncollected balance continues to negatively impact PG&E’s credit metrics.” (fn. omitted.)

<sup>38</sup> PG&E January 29, 2024 Supplemental Motion at Attachment A (Declaration by Margaret Becker) at 5.

<sup>39</sup> PG&E January 29, 2024 Supplemental Motion at Attachment A (Declaration by Margaret Becker) at 6, stating: “Under cost-of-service ratemaking principles, this uncollected balance should be close to zero on average for PG&E’s long-term financial health and stability and to minimize borrowing costs for customers, and, indeed, was under \$1 billion prior to 2018. PG&E’s need for external financing would decrease materially to the extent this cash balance can be recovered in rates. Every dollar of revenue received for these costs either pays down debt that was used to finance the cost or frees up capacity to finance other long-term investments. The uncertainty of the timing and outcome of cost recovery reviews for these accounts adds significant uncertainty to PG&E’s financial plan and contributes to the need for this request. As described later in this declaration, other benefits of interim rate relief include the reduction of the cost to customers of uncollected balancing and memorandum account balances at current high rates and the improvement of PG&E’s credit metrics.”

rate recovery on an expedited basis for implementation in March 2024 or as soon as practicable.<sup>40</sup>

## **5.2. Cal Advocates and TURN**

Cal Advocates and TURN filed responses to PG&E's request for interim rate recovery. Cal Advocates initially opposed PG&E's December 1, 2023 Motion for interim recovery of 85% of the total amount but "does not either join or oppose" PG&E's January 29, 2024 Supplemental Motion, which reduces the starting point of its interim request to 55% of the total and caps the request at 85%.<sup>41</sup>

TURN opposes both iterations of PG&E's request for interim rate recovery and states that any interim rate relief will impose an undue burden on ratepayers.<sup>42</sup> TURN points to the cumulative impact on ratepayers of granting three requests for "interim" rate increases "within this past year"<sup>43</sup> related to wildfire mitigation and disaster response costs plus the significant rate increase for future operations costs which PG&E implemented, as of January 1, 2024, based on D.23-11-069 in PG&E's general rate case (A.21-06-021).<sup>44</sup>

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<sup>40</sup> PG&E December 1, 2023 Motion at 20-24; PG&E January 29, 2024 Supplemental Motion at 11-12.

<sup>41</sup> Reporter's Transcript February 9, 2024 Prehearing Conference at 27: "Mr. George: No further thoughts, your Honor. Cal Advocates neither joined nor opposed the motion, and I think that's where we stand. Thank you."

<sup>42</sup> TURN February 13, 2024 Response in Opposition at 5, stating: "Rather than grant PG&E interim rate recovery of any amount here, the Commission should deny the request in favor of moving toward having no more than one IRR recovery in rates at any given time."

<sup>43</sup> PG&E December 1, 2023 Motion at 4, stating: "PG&E acknowledges that this motion presents a third request for interim rate relief *within this past year*. Although the interim relief granted to date by the Commission will help address some of PG&E's financial challenges, it has not (and will not) fully relieve all of those challenges." (Emphasis added.)

<sup>44</sup> TURN December 18, 2023 Response in Opposition at 5. D.23-11-069, *Decision on Test Year 2023 General Rate Case for Pacific Gas and Electric Company* (November 16, 2023) at 3-4: "The

*Footnote continued on next page.*

The three interim rate increases related to wildfire and disaster response costs referred to by TURN are the following recent PG&E proceedings:

(1) Application (A.) 22-12-009 with D.23-06-004 authorizing interim rate recovery of \$1.104 billion (85% of the total amount requested); (2) A.23-06-008 with D.24-03-006 authorizing interim rate recovery of \$516 million (75% of the total amount);<sup>45</sup> and (3) this proceeding, A.23-12-001, with PG&E requesting interim rate recovery of \$943.9 million and up to \$1.45 billion (55% and up to 85% of the total amount requested).

As TURN points out, these interim rate increases are in addition to PG&E's recent general rate case increase for 2023 of approximately 10.7% (over PG&E's 2022 authorized revenue requirement) and the additional rates increases for 2024, 2025, and 2026.<sup>46</sup>

According to TURN, and based on this context of these rate increases, "there may never be a worse time for PG&E to propose interim rate recovery, given the cumulative impact such a request would have with the recently authorized GRC [general rate case] revenue requirement and the continuing effects of the Commission having granted a previous PG&E interim rate

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authorized test year 2023 revenue requirement represents a 10.7% increase over PG&E's 2022 authorized revenue requirement of approximately \$12.214 billion, as adopted by the Commission in PG&E's 2020 general rate case, D.20-12-005."

<sup>45</sup> TURN February 13, 2024 Response to Supplemental Motion at 6, in which TURN references the then-pending proposed decision that was subsequently adopted by the Commission on March 7, 2024; D.24-03-006, *Decision Granting Interim Rate Recovery* (PG&E) (March 7, 2024) at 2, stating: "PG&E is authorized to recover a maximum of \$516 million (75 percent of PG&E's total request of \$688 million) in interim rates according to the process set forth herein."

<sup>46</sup> D.23-11-069, *Decision on Test Year 2023 General Rate Case for Pacific Gas and Electric Company* (November 16, 2023) at 2-3. The 2023 revenue requirement of \$13.521 billion represents a 10.7% increase over PG&E's 2022 authorized revenue requirement of approximately \$12.214 billion. The revenue requirement for 2024 of \$14.237 billion (+ 5.3% over 2023), 2025 of \$14.596 billion (+ 2.5% over 2024), and 2026 of \$14.800 billion (+ 1.4% over 2025).

request.”<sup>47</sup> TURN urges the Commission to consider “the impacts not just of PG&E’s current request, but the cumulative impact in light of the recent GRC [general rate case] decision and the continuing effects of the interim rate recovery already reflected in PG&E rates.”<sup>48</sup>

TURN also suggests the Commission refrain from the regular use of interim rate relief, which TURN characterizes as an “extraordinary” ratemaking remedy.<sup>49</sup> “TURN submits that it is time for the Commission to approach PG&E’s latest request for interim rate relief with fresh eyes, rather than simply applying the logic it has used in recent decisions granting such relief.”<sup>50</sup> In TURN’s assessment, “The recent track record with regard to what had been an extraordinary ratemaking device used very sparingly for decades makes clear that the agency [the Commission] is at risk of making it more of a standard practice without directly addressing whether such a development is permissible or reasonable.”<sup>51</sup>

## **6. Discussion**

### **6.1. Request for Interim Rate Recovery, Subject to Refund, of 55% over 17 Months is Granted**

Although disadvantages exist to approval of this request for an interim rate increase, the Commission grants PG&E authority to collect 55% (approximately \$943.9 million, plus interest) over a 17-month collection period to be implemented as soon as practicable based on the finding that fairness to both the

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<sup>47</sup> TURN December 18, 2023 Response in Opposition at 3.

<sup>48</sup> TURN December 18, 2023 Response in Opposition at 3.

<sup>49</sup> TURN December 18, 2023 Response in Opposition at 1-2; TURN January 8, 2024 Protest; and TURN February 13, 2024 Response to Supplemental Motion.

<sup>50</sup> TURN December 18, 2023 Response in Opposition at 1.

<sup>51</sup> TURN December 18, 2023 Response in Opposition at 1-2.

utility and the public requires immediate action but denies PG&E's request to recover up to 85% of the total on an interim basis.<sup>52</sup> The authorized amount is subject to refund with interest, if found unreasonable.

TURN's argument has merit that the "cumulative rate impact" of five rate increases (including this interim relief) in quick succession, *i.e.*, four interim rate increases and the recent rate increase of approximately 10.7% reflecting PG&E's general rate case, may negatively impact ratepayers. The Commission also acknowledges the position of TURN that interim rate relief should remain an "extraordinary ratemaking device used very sparingly."<sup>53</sup>

Overall, however, in the Commission's evaluation of the impact of this interim rate increase on ratepayers, the Commission finds persuasive PG&E's arguments. The Commission is persuaded that this interim rate increase spread over 17 months will provide PG&E with the opportunity to avoid certain negative financial consequences, such as adverse impacts on credit metrics and limitations on financing, and thereby will promote fairness to both the ratepayers and the utility.

For example, regarding fairness to the public, the Commission finds persuasive PG&E's argument that saving ratepayers approximately \$67 million in accrued interest represents a significant amount of savings, which weighs in favor of granting the interim rate recovery, especially in the context of adding this interest payment to already increasing energy rates. For this reason, the Commission finds that PG&E's projected savings of approximately \$67 million promotes fairness to the public.

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<sup>52</sup> *TURN v. PUC* (1988) 44 Cal.3d 870 at 877.

<sup>53</sup> TURN December 18, 2023 Response in Opposition at 1-2.



In addition, the Commission finds PG&E's argument of fairness to the utility, meaning here to "preserve the financial integrity of the utility," is persuasive and weighs in favor of granting the request. The Commission agrees with PG&E that granting interim rate relief will avoid negative impacts on PG&E's credit metrics "[e]xacerbating PG&E's limitation on new financing."<sup>54</sup> As such, the Commission finds that authorizing interim rate relief supports PG&E's financial integrity and, thereby, promotes fairness to the utility and is in the public interest.

The Commission also finds that the requested relief is appropriate and requires "immediate" action by the Commission to capture ratepayer savings of approximately \$67 million and support PG&E's financial status because, as stated by PG&E, in the absence of expedited relief and with the passage of time, these benefits may diminish. For example, PG&E explains that, by increasing its cash flow through a rate increase now, existing account balances will be reduced and the interest on these accounts will correspondingly decrease, stating that "other benefits of interim rate relief include the reduction of the cost to customers of uncollected balancing and memorandum account balances at current high rates and the improvement of PG&E's credit metrics."<sup>55</sup>

PG&E also shared its concerns around the potential for delayed infrastructure improvements over time should it encounter limitations on its financing capacity, with PG&E forced to prioritize its infrastructure investments, which

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<sup>54</sup> PG&E January 29, 2024 Supplemental Motion at Attachment A (Declaration by Margaret Becker) at 5.

<sup>55</sup> PG&E January 29, 2024 Supplemental Motion, Attachment A at 6.

may result in delays to customers' requests for new or expanded services, as well as to investments in system hardening, safety, and reliability.<sup>56</sup>

As a result of these and other significant impacts from requested relief, the Commission finds immediate action supports the public interest.

The Commission's grant of interim rate relief to PG&E of 55% (approximately \$943.9 million, plus interest) does not prejudice whether the costs recorded in any of the relevant memorandum and balancing accounts are just and reasonable under Pub. Util. Code Section 451 and related authorities. Additionally, the rate recovery granted to PG&E here is subject to refund with interest, meaning should the Commission later find a lesser amount "just and reasonable" under Section 451 and related authorities, PG&E must return the difference to ratepayers with interest at the earliest opportunity.

For these reasons, the Commission finds that authorizing PG&E to collect as soon as practicable 55% (approximately \$943.9 million, plus interest) in interim rates, subject to refund, is reasonable because PG&E has established by the preponderance of evidence that "fairness to both the utility and the public require this immediate action."<sup>57</sup> The Commission authorizes PG&E to file a Tier 1 Advice Letter implementing an interim rate increase of 55% (approximately \$943.9 million, plus interest) of the total requested revenue requirement sought in its Application over a 17-month period as soon as practicable.

As addressed below, the Commission denies PG&E's request for interim rate relief up to 85% and beyond the 17-month period.

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<sup>56</sup> PG&E January 29, 2024 Supplemental Motion, Attachment A at 8.

<sup>57</sup> D.23-06-004, *Decision Granting Interim Rate Recovery* (PG&E) at 10, citing to *TURN v. PUC* (1988) 44 Cal.3d at 879.

**6.2. Request to Continue Interim Rate Recovery up to 85% and Beyond the 17-Month Collection Period is Denied**

When PG&E reduced its interim rate request to 55% on January 29, 2024, PG&E retained the request to recover 85% of the total amount (approximately \$1.458 billion, plus interest) if a final decision remains pending at the conclusion of the proposed 17-month collection period.<sup>58</sup> None of the parties support this aspect of PG&E's request. The Commission denies this aspect of PG&E's request.

In denying PG&E's request to collect up to 85% of the total amount, the Commission relies upon the recent analysis of a similar request by PG&E in D.23-06-004. In D.23-06-004, the Commission found that PG&E justified its request for interim rate recovery of 85% by presenting facts that its financial condition was "precarious."<sup>59</sup> In contrast, PG&E does not allege its financial condition is precarious in this proceeding. For example, according to evidence presented by PG&E, in December 2023, S&P updated PG&E's ratings outlook to "Positive" due to increased authorized revenues from the 2023 general rate case decision and PG&E's ongoing wildfire risk reduction and mitigation activities.<sup>60</sup>

Moreover, since the Commission issued D.23-06-004, the Commission has taken further steps to increase PG&E's cash flow. The Commission approved PG&E's 85% interim rate recovery request of \$1.104 billion on June 8, 2023 in D.23-06-004. Then on November 16, 2023, the Commission approved an additional \$2.6 billion of increased revenue requirement to be included in rates in

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<sup>58</sup> PG&E January 29, 2024 Supplemental Motion.

<sup>59</sup> D.23-06-004, *Decision Granting Interim Rate Recovery* (PG&E) at 15, stating that 85% is adopted because "PG&E contends that its long-term credit trajectory is precarious."

<sup>60</sup> PG&E December 1, 2023 Motion at 26-27.

2024 (as compared to what it was authorized to collect in 2023) in D.23-11-069.<sup>61</sup>

Again on March 7, 2024, the Commission approved another interim rate increase.<sup>62</sup> TURN summarized the impact of the November 16, 2023 decision as easing PG&E's cash flow constraints even if not eliminating them, stating:

“[T]he test year 2023 GRC [general rate case] decision and, in particular, the revenue requirement increase authorized for 2024 at least mitigates (if not eliminates) any need to adopt interim rate recovery in order to ‘provide material relief to PG&E’s funding constraints.’ [quoting from PG&E December 1, 2023 Motion at 25 and Supporting Declaration of Margaret Becker, p. 9, ¶24.] The \$2.6 billion of additional GRC [general rate case] revenue requirement that PG&E will be recovering in rates in 2024 as compared to what it was authorized to collect in 2023 should be deemed sufficient relief to any such funding constraints.”<sup>63</sup>

As such, the Commission finds TURN's argument persuasive in the context of finding that an increase above 55% and up to 85% of the total request is not in the public interest.

In addition, in denying PG&E's larger interim rate request, the Commission finds persuasive the argument by Cal Advocates in opposition to PG&E's initial 85% interim rate request, that affordability concerns must be thoroughly evaluated prior to approval of recovery of up to 85% of the total amount sought.<sup>64</sup> Under the 55% request, which is authorized in this decision,

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<sup>61</sup> TURN December 18, 2023 Response at 9.

<sup>62</sup> D.24-03-006, *Decision Granting Interim Rate Recovery* (PG&E) (March 7, 2024) at 2, stating: “PG&E is authorized to recover a maximum of \$516 million (75 percent of PG&E's total request of \$688 million) in interim rates according to the process set forth herein.”

<sup>63</sup> TURN December 18, 2023 Response at 9.

<sup>64</sup> Cal Advocates December 18, 2023 Response at 1 (fn. 2), stating that, before the Commission authorizes up to 85% interim rate relief, “It is imperative that the Commission recognize concerns over customer rate affordability, especially given the significant revenue increase it

*Footnote continued on next page.*

PG&E estimates customers will experience a rate increase of approximately 2.3% or \$5 increase per month for the average residential customer over a set period of time.<sup>65</sup> Under the 85% request, PG&E estimates customers would experience rate increases of 5.9% (or approximately \$13.20 per month).<sup>66</sup> The Commission is not prepared to approve of an almost 6% interim rate increase, even if limited to a defined number of months, in the absence of a better understanding of how such a rate increase will impact customers now. This matter will be addressed as this proceeding continues.

For these reasons, the Commission finds that an interim rate relief of beyond 55% and up to 85% is not in the public interest at this time.

Accordingly, PG&E's request to continue the recovery of costs beyond the 17-month collection period to include amounts over 55% up to a maximum interim rate recovery of 85% is denied based on the finding that PG&E has not established by the preponderance of evidence that, should this proceeding not be resolved within 17 months, an increase to interim rate recovery above 55% is reasonable based on fairness to both the utility and the public that requires immediate action.

## **7. Comments on Proposed Decision**

The proposed decision of Administrative Law Judge (ALJ) Regina DeAngelis in this matter was mailed to the parties in accordance with

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has authorized for PG&E through the Test Year 2024 General Rate Case (GRC) Decision 23-11-069."

<sup>65</sup> PG&E January 29, 2024 Supplemental Motion at 15-16. These figures assume a March 1, 2024 implementation date. The decrease presented in the revised proposal as compared to the original proposal stems from the fact that rates increased on January 1, 2024.

<sup>66</sup> PG&E January 29, 2024 Supplemental Motion at 16. PG&E does not provide figures for the rate increase beyond the 17 months and reflecting the 85% and the figures presented herein reflect an estimate based on information provided by PG&E.

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 August 26, 2024 by PG&E and reply comments were filed on September 3, 2024 by TURN. Consistent with the law, changes have been made to correct errors of law and fact. In response to PG&E's opening comments, a factual correction was made to the amount approved. The tier for the required advice letter was also modified to a Tier 1, consistent with prior relevant Commission decisions.

## **8. Assignment of Proceeding**

Karen Douglas is the assigned Commissioner and Regina DeAngelis is the assigned ALJ in this proceeding.

## **Findings of Fact**

1. As affirmed by the California Supreme Court, the Commission has the power to authorize interim rate recovery prior to determining the reasonableness of the utility's costs.
2. The granting of PG&E's request for interim rate relief will result in ratepayer savings of approximately \$67 million with PG&E also sharing in indirect financial benefits.
3. The "cumulative rate impact" of five rate increases (including this interim rate increase) in quick succession, *i.e.*, four interim rate increases and the recent rate increase of approximately 10.7% reflecting PG&E's general rate case, may negatively impact ratepayers.
4. This interim rate increase spread over 17 months will provide PG&E with the opportunity to avoid certain negative financial consequences, such as adverse impacts on credit metrics and limitations on financing.

5. This grant of interim rate relief will avoid negative impacts on PG&E's credit metrics "[e]xacerbating PG&E's limitation on new financing."

6. The requested relief is appropriate and requires "immediate" action to capture ratepayer savings of approximately \$67 million and support PG&E's financial status because, in the absence of expedited relief and with the passage of time, these benefits may diminish.

7. The grant of interim rate relief to PG&E of 55% (approximately \$943.9 million, plus interest) does not prejudice whether the costs recorded in any of the relevant memorandum and balancing accounts are just and reasonable.

8. When evaluating PG&E's request for interim rates up to 85% of the total, the S&P updated PG&E's ratings outlook in December 2023 to "Positive" due to increased authorized revenues from the 2023 general rate case decision and PG&E's ongoing wildfire risk reduction and mitigation activities.

9. When evaluating PG&E's request for interim rates up to 85% of the total request, circumstances have changed since June 2023 when D.23-06-004 was issued as steps have been taken to increase PG&E's cash flow.

10. When evaluating PG&E's request for interim rates up to 85% of the total request, affordability concerns must be thoroughly evaluated prior to approval.

11. Interim rate relief of beyond 55% and up to 85% is not in the public interest at this time.

### **Conclusions of Law**

1. It is reasonable to conclude that PG&E's projected savings of approximately \$67 million promotes fairness to the public based on ratepayers saving of approximately \$67 million in accrued interest, which represents a significant amount of savings, especially in the context of adding this interest payment to already increasing energy rates.

2. It is reasonable to conclude that authorizing interim rate relief supports PG&E's financial integrity and, thereby, promotes fairness to the utility and is in the public interest because this authority will avoid negative impacts on PG&E's credit metrics "[e]xacerbating PG&E's limitation on new financing."

3. It is reasonable to conclude that the requested relief is appropriate and requires "immediate" action to capture ratepayer savings of approximately \$67 million and support PG&E's financial status because in the absence of expedited relief and with the passage of time, these benefits may diminish.

4. It is reasonable to conclude that PG&E has met the standard for granting interim rate recovery, subject to refund, of 55% of the total amount requested (or approximately \$943.9 million, plus interest) and established by the preponderance of evidence that fairness to both the utility and the public require this immediate action.

5. It is reasonable to deny PG&E's request to continue the recovery of costs beyond the 17-month collection period to include amounts over 55% up to a maximum interim rate recovery of 85% based on the finding that PG&E has not established by the preponderance of evidence that, should this proceeding not be resolved within 17 months, an increase to interim rate recovery above 55% is reasonable based on fairness to both the utility and the public that requires immediate action.

6. PG&E's January 29, 2024 Supplemental Motion should be granted, in part.

## **O R D E R**

**IT IS ORDERED** that:

1. Pacific Gas and Electric Company's (PG&E's) January 29, 2024 Supplemental Motion is granted, in part, and PG&E is hereby authorized to file a Tier 1 Advice Letter to implement interim rate recovery of approximately



\$943.9 million, plus interest, as soon practicable over a 17-month collection period. The approved interim revenue requirement shall be included in the Distribution Revenue Adjustment Mechanism in an upcoming rate change submittal. The interim rates shall be recovered in the same manner as rates set to recover electric distribution costs using existing methodologies for revenue allocation and rate design.

2. To the extent that the Commission's final decision in this proceeding approves a lower level of cost recovery than the approximately \$943.9 million (plus interest), the amount authorized through interim rates, Pacific Gas and Electric Company shall return the difference to ratepayers, with interest, calculated at the three-month commercial paper rate at the earliest opportunity.

3. Application 23-12-001 remains open.

This order is effective today.

Dated September 12, 2024, at Sacramento, California.

ALICE REYNOLDS

President

DARCIE L. HOUCK

JOHN REYNOLDS

KAREN DOUGLAS

Commissioners

Commissioner Matthew Baker recused himself from this agenda item and was not part of the quorum in its consideration.