

ALJ/JYL/jnf

PROPOSED DECISION

Agenda ID #23892
Ratesetting

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric
Company for Comprehensive Gas
Advanced Metering Infrastructure
Replacement Program. (U39M.)

Application 24-03-011

DECISION APPROVING SETTLEMENT AGREEMENT

TABLE OF CONTENTS

Title	Page
DECISION APPROVING SETTLEMENT AGREEMENT	1
Summary	2
1. Background	3
1.2. Factual Background.....	3
1.3. Procedural Background	5
1.4. Submission Date	9
2. Jurisdiction and Burden of Proof	9
3. Issues Before the Commission.....	10
4. Settling Parties' Positions.....	12
4.1. SBUA Response	12
4.2. TURN Protest	12
4.3. Cal Advocates Protest.....	14
4.4. PG&E Reply to Protests and Responses.....	15
4.5. Joint Supplemental Information.....	16
5. Settlement Agreement Terms.....	17
6. Discussion	19
6.1. Reasonable Resolution of Issues In Light of the Whole Record.....	20
6.1.1. Issues 2 to 6 – Reasonableness of Proposed Revenue Requirement and Forecasts	21
6.1.1.1. Revenue Requirement Reductions	22
6.1.1.2. Forecast Reductions	26
6.1.1.3. Cost Recovery and Rates.....	27
6.1.2. Issues 7 to 9 - Reasonable Allocation of Responsibility for Module Failure	28
6.1.3. Issues 10 and 11 - No Health, Safety, or Environmental and Social Justice Impacts	34
6.1.4. Conclusion	36
6.2. Consistency With Law	37
6.3. Public Interest	38
7. Conclusion.....	41
8. Summary of Public Comment.....	41
9. Procedural Matters.....	42
10. Waiver of Comment Period	42

11. Assignment of Proceeding	42
Findings of Fact	42
Conclusions of Law	44
ORDER	45

Appendix A – Settlement Agreement

DECISION APPROVING SETTLEMENT AGREEMENT

Summary

This decision grants the Joint Motion for Adoption of Settlement Agreement filed by Pacific Gas and Electric Company (PG&E), the Public Advocates Office at the California Public Utilities Commission, The Utility Reform Network, and Small Business Utility Advocates. Specifically, this decision approves and adopts the proposed Settlement Agreement regarding PG&E's Comprehensive Gas Advanced Metering Infrastructure Replacement Program to replace and upgrade battery-operated Gas Modules installed on customer gas meters that transmit customer gas usage.

In summary, that Settlement Agreement provides as follows:

1. ***Adopted Expenses.*** PG&E's adopted 2024-2026 expense forecast for the Gas Advanced Metering Infrastructure Replacement Program is \$4 million.
2. ***Adopted Capital Expenditures.*** PG&E's adopted 2023-2026 capital expenditure expense forecast is \$420 million.
3. ***Adopted Revenue Requirements.*** The adopted revenue requirement for 2023-2026 is a total of \$88,594,500.
4. ***Cost Recovery.*** PG&E may use its existing revenue adjustment mechanisms to recover the \$88,594,500 adopted revenue requirements.
5. ***Changes to Rates.*** PG&E may recover all costs recorded to the Comprehensive Gas Advanced Metering Infrastructure Memorandum Account, effective March 14, 2024, through the next available rate change or the next Annual Electric True-Up and Annual Gas True-Up advice letters, following issuance of this decision.
6. ***PG&E's Proposed Gas Advanced Metering Infrastructure Technology Upgrade.***

- PG&E must complete the 2023-2026 scope of work it had forecast in its Gas Advanced Metering Infrastructure 2.0 Technology Upgrade within the \$420 million authorized capital expenditures agreed upon in the Settlement Agreement.
- PG&E shall not include in its 2027 General Rate Case or another application any capital expenditures for 2027 and beyond for work it had forecast in Application 24-03-011 for the upgrade.
- The 2023-2026 capital additions for the upgrade must not exceed the \$420 million agreed to in the Settlement Agreement and can be included in the rate base in PG&E's 2027 General Rate Case.
- PG&E may forecast approximately \$7 million in additional capital expenditures for 2027 and beyond in its 2027 General Rate Case to complete the upgrade, and parties are free to object to PG&E's forecast for 2027 and beyond.

This proceeding is closed.

1. Background¹

1.2. Factual Background

Pacific Gas and Electric Company's (PG&E's) existing Gas Advanced Metering Infrastructure system (Gas AMI 1.0 or GAMI), is a one-way communication system that uses battery-operated gas modules (Modules or Gas Modules), installed externally on customers' gas meters between 2006 and 2013, to securely and automatically transmit customer gas usage to PG&E's billing

¹ Our November 14, 2024 Interim Decision (D.) 24-11-010, authorizing establishment of a memorandum account effective March 14, 2024, provides a detailed background underlying this proceeding. That background is incorporated here. Below, we reiterate portions of that background necessary for an understanding of the present decision.

system.² The existing Gas AMI 1.0 system is reaching the end of its useful life, with some Modules failing prior to their expected 15-year life expectancy.

Previously, on June 30, 2021, PG&E filed Application (Application or (A.)) 21-06-021 with the California Public Utilities Commission (Commission), initiating its Test Year (TY) 2023 General Rate Case (GRC) for years 2023-2026. PG&E requested approval of funding to: (1) continue to replace Gas Modules as they fail (referred to in the TY 2023 GRC as “Corrective Maintenance”); and (2) shift to replacing Gas Modules in a programmatic manner *prior* to failure, beginning in 2023 (referred to in the TY 2023 GRC as “Lifecycle Replacement” or “Proactive Replacement”).³ PG&E forecasted approximately \$36.5 million in expenses in 2023-2026, and approximately \$743.9 million in capital expenditures in 2023-2026 to replace Gas Modules under the Corrective Maintenance (\$263.4 million) and Lifecycle Replacement (\$480.5 million) programs.

On November 17, 2023, the Commission issued D.23-11-069 on PG&E’s TY 2023 GRC application. We recognized in that decision that the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and The Utility Reform Network (TURN) had recommended removing costs associated with replacing GAMI Modules from PG&E’s forecast, including the cost of replacing all the Modules that failed prematurely. In that proceeding, TURN argued that it was unreasonable for ratepayers to cover the full cost associated

² The GAMI 1.0 system comprises application software, network communication equipment, and battery-operated Gas Modules with network interface cards externally attached to customer gas meters.

³ See A.21-06-021.

with replacement or repairs until PG&E presented a proposal that shared costs between ratepayers and shareholders and, in addition, provided evidence on the degree of its responsibility for the earlier-than-expected failures of GAMI 1.0 equipment.⁴

In D.23-11-069, the Commission adopted a forecast of \$0 for Module replacement because PG&E (1) did not adequately substantiate its request and (2) failed to propose a reasonable allocation of replacement costs between ratepayers and shareholders that accounted for the utility's errors in its GAMI Module business plan.⁵ However, the decision allowed PG&E to file a separate application in the future to seek recovery for the Comprehensive GAMI Replacement Program for years 2023 through 2026.⁶

1.3. Procedural Background

Pursuant to D.23-11-069, on March 14, 2024, PG&E filed A.24-03-011, seeking authorization to recover the costs for year 2023 through 2026 for its Comprehensive GAMI Replacement Program through a total requested revenue requirement of \$143.3 million.⁷ PG&E requests that the Commission: (1) approve PG&E's 2023-2026 expense and capital forecasts for its GAMI Replacement

⁴ D.23-11-069 at 541.

⁵ D.23-11-069 at 539-545. The Commission stated that *"PG&E may file a separate application seeking recovery of cost for replacement of AMI modules, but no revenue requirement is authorized in this proceeding* due to [1] the unsubstantiated nature of the forecast and [2] PG&E's failure to propose a reasonable allocation of costs for replacement between ratepayers and shareholders that fairly reflects PG&E's errors in its AMI module business plan." D.23-11-069 at 545 (emphasis added).

⁶ D.23-11-069 at 539-545.

⁷ See A.24-03-011 at 13.

Program; (2) adopt and authorize PG&E to reflect in rates its proposed 2023-2026 revenue requirement for PG&E's GAMI Replacement Program; and (3) adopt PG&E's cost recovery proposal to recover the costs of its GAMI Replacement Program. Operationally, PG&E requests funding to replace the GAMI 1.0 Modules and upgrade the system.

The Application includes 2023-2026 expense and capital expenditure forecasts, revenue requirements, a GAMI Replacement Program cost recovery proposal, proposed changes in rates, and evidence in support of its position that it has acted prudently in installing and maintaining the GAMI 1.0 system. In its Application, PG&E seeks to recover for 2023-2026 expense revenue forecast of \$11,173,000 and capital expenditure forecast of \$485,058,000 for a total Comprehensive GAMI Replacement Program forecast of \$496,231,000.

Cal Advocates and TURN filed timely protests to the Application. Small Business Utility Advocates (SBUA) filed a timely response. Southern California Edison Company (SCE) sought and was granted party status.

On April 5, 2024, PG&E filed a Motion to Establish GAMI Memorandum Accounts (GAMIMA Motion). Cal Advocates and TURN filed oppositions to the GAMIMA Motion on April 22, 2024. PG&E filed a Reply to Protests and Responses (Reply) on April 29, 2024, addressing oppositions to the GAMIMA Motion.

On June 25, 2024, all Parties to this proceeding filed a Joint Prehearing Conference Statement. The assigned Administrative Law Judge (ALJ) held a prehearing conference (PHC) on July 2, 2024, to address issues of law and fact, determine the need for hearing, set the schedule for resolving the proceeding,

and address other matters as necessary. Assigned Commissioner Matthew Baker made remarks during the PHC, encouraging the parties to explore a settlement as the most efficient manner to achieve an outcome in the public interest.⁸ In addition, at the PHC, PG&E, Cal Advocates, and TURN (the Requesting Parties) jointly presented an agreement resolving TURN and Cal Advocates' opposition to the GAMIMA Motion. Neither SBUA nor SCE opposed the GAMIMA Motion or the Requesting Parties' agreement.

On October 10, 2024, assigned Commissioner Baker issued a Scoping Memo and Ruling (Scoping Memo). That Scoping Memo identified 11 issues to be determined by the Commission in this proceeding.

On November 14, 2024, the Commission issued D.24-11-010, granting PG&E's April 5, 2024 GAMIMA Motion and authorizing PG&E to establish a new comprehensive GAMI Memorandum Account to track and record PG&E's actual revenue requirements for costs, effective March 14, 2024.⁹ D.24-11-010 did not authorize PG&E to recover costs recorded in the new memorandum account.¹⁰

On December 9, 2024, Cal Advocates, TURN, and SBUA submitted testimony. Cal Advocates and SBUA recommended adjustments to PG&E's

⁸ See PHC Transcript at 2:22-3:18.

⁹ Decision 24-11-010, Ordering Paragraph 1.

¹⁰ D.24-11-010 at 2 ("Whether, how, and to what extent Pacific Gas and Electric Company may recover the costs tracked in that memorandum account will be determined after Application 24-03-011 has been fully reviewed and determined in this proceeding.").

expense and capital expenditure forecasts.¹¹ TURN primarily recommended denial of the Application in favor of determination of the causes and responsibility of PG&E for the Module failures.¹²

On January 13, 2025, PG&E submitted Rebuttal Testimony that updated its requested revenue requirements.¹³ PG&E filed an Errata to its Rebuttal Testimony on February 19, 2025 to correct an error in its removal cost accounting and reduced its revenue requirement request.¹⁴

On January 17, 2025, all Parties filed a Joint Status Report on their settlement discussions and reported that they met on January 16, 2025, to discuss a potential settlement of this proceeding and that no settlement agreements had been reached to that date.

On March 7, 2025, all Parties held a formal Settlement Conference after notice to the service list as required by Rule 12.1 of the Commission's Rules of Practice and Procedure (Rule or Rules).¹⁵

On March 14, 2025, PG&E, Cal Advocates, TURN, and SBUA (Settling Parties) filed the present Joint Motion for Adoption of Settlement Agreement (Motion), with a proposed settlement agreement (Settlement Agreement),

¹¹ See *PG&E Comprehensive Gas Advanced Metering Infrastructure Replacement Program Settlement Agreement* (hereinafter "Settlement Agreement," attached to this decision as Appendix A) at Section 2.16.

¹² See Settlement Agreement at Section 2.17.

¹³ See Settlement Agreement at Sections 2.18 and 2.19.

¹⁴ See Settlement Agreement at Section 2.20.

¹⁵ Unless otherwise specified, all references to Rules or Rule in this decision are to the Commission's Rules of Practice and Procedure.

attached as Appendix A to this decision, that we consider here. SCE did not join in the Motion or the Settlement Agreement, and did not file any opposition or otherwise contest the Motion.

On July 10, 2025, the assigned ALJ issued a ruling, ordering the Settling Parties to address Scoping Memo Issues 10 and 11, concerning public health and safety issues, and impacts on environmental and social justice communities respectively. The Settling Parties filed a Joint Supplemental Statement on July 23, 2025.

On September 5, 2025, the Commission issued D.25-08-041. That decision extended the statutory deadline to complete this proceeding from September 14, 2025 to March 31, 2026.

The ALJ issued a second ruling on October 17, 2025, ordering the Settling Parties to address aspects of Scoping Memo Issues 7, 8, and 9. The Settling Parties filed a Second Joint Supplemental Statement on October 27, 2025.

1.4. Submission Date

This matter was submitted on October 27, 2025, upon the filing of the Settling Parties' Second Joint Supplemental Statement supporting the Motion.

2. Jurisdiction and Burden of Proof

The Commission has jurisdiction over the activities of public utilities.¹⁶ PG&E has operated as a public utility providing electric and gas services in California since 1905. PG&E is therefore a public utility subject to the Commission's jurisdiction.

¹⁶ California Public Utilities Code (Pub. Util. Code) Section 216(a). Unless otherwise specified, all references to a Code or Section in this decision are to the California Public Utilities Code.

In this proceeding, the Settling Parties (PG&E, Cal Advocates, TURN, and SBUA) filed their joint Motion requesting that the Commission approve and adopt a formal proposed Settlement Agreement. Rule 12.1(d) provides that a proposed settlement may be approved if the Commission finds it to be (1) reasonable in light of the whole record, (2) consistent with the law, and (3) in the public interest.¹⁷ The Settling Parties bear the burden of proof by a preponderance of evidence.

3. Issues Before the Commission

The October 10, 2024, Scoping Memo identified the following issues to be determined or otherwise considered in this proceeding:

1. Whether the Commission should grant PG&E's motion to establish one or more Comprehensive Gas Advanced Metering Infrastructure Memorandum Account (GAMIMAs) to track and record PG&E's actual revenue requirements, and, if so, what is the effective date for each GAMIMA;
2. Whether PG&E's 2023-2026 expense and capital forecasts for its GAMI Replacement Program are reasonable;
3. Whether the proposed 2023-2026 revenue requirement for PG&E's GAMI Replacement Program is just and reasonable;
4. Whether the Commission should authorize PG&E to reflect the proposed 2023-2026 revenue requirement for PG&E's GAMI Replacement Program in rates;
5. Whether PG&E's cost recovery proposal to recover the costs of its GAMI Replacement Program should be adopted;

¹⁷ See, e.g., D.12-10-019, Order Denying Rehearing of D.08-08-030 (October 11, 2012) at 14-15; D.09-11-008, Decision Denying Motion to Adopt Contested Settlement and Dismissing Application (November 20, 2009) at 6.

6. Whether PG&E's proposed GAMI System Upgrade is likely to be cost-effective such that the costs are reasonable and should be recovered in rates;
7. Whether the installation and/or maintenance of PG&E's first--generation GAMI 1.0 system is tied to any failure, error, or noncompliance on PG&E's part;
8. Whether PG&E's GAMI Replacement Program costs should be allocated between ratepayers and shareholders;
9. What is the appropriate ratemaking and cost recovery treatment for any remaining investment in PG&E's removed GAMI 1.0 modules;
10. Whether there exist any other public health or safety issues related to this proceeding that must be addressed in this proceeding; and
11. Whether there are impacts on environmental and social justice communities, including the extent to which PG&E's proposed GAMI Replacement Program impacts the achievement of any of the nine goals of the Commission's Environmental and Social Justice Action Plan.¹⁸

In this proceeding, the Commission resolved Scoping Memo Issue 1 above through D.24-11-010, granting PG&E's April 5, 2024 GAMIMA Motion and authorizing PG&E to establish a new Comprehensive GAMI Memorandum Account to track and record PG&E's actual revenue requirements for costs, effective March 14, 2024.

Scoping Memo Issues 2 through 11 remain to be resolved in this decision, including consideration of the Settling Parties' Motion requesting that the Commission approve and adopt a formal proposed Settlement Agreement, and the Settling Parties' Joint Supplemental Statements presenting additional information regarding the Motion requested by the ALJ.

¹⁸ Scoping Ruling at 4-5 (Section 3).

4. Settling Parties' Positions

Cal Advocates and TURN advocated on behalf of PG&E's residential ratepayers, while SBUA represented the interests of PG&E's small business ratepayers.¹⁹ Those ratepayer advocates raised various issues with the Application through their respective Responses and Protests. Below, we summarize the record regarding the Parties' positions on contested and other scoped issues.

4.1. SBUA Response

On April 15, 2024, SBUA filed a Response to PG&E's Application. SBUA's Response raised no objections, but rather gave notice that it intended to (1) analyze and evaluate the Application and submit testimony on such topics as whether PG&E has fully addressed the intervenors' critiques in its 2023 General Rate Case (A.21-06-021) about its GAMI Replacement Program and the related recovery costs; (2) evaluate the Application and supporting documentation to ensure the reasonableness and cost-effectiveness of PG&E's proposed GAMI replacement program costs; and (3) evaluate PG&E's argument that its proposed long-term GAMI investment is prudent in light of California's electrification goals and expected gas demand declines.²⁰

4.2. TURN Protest

On April 19, 2024, TURN filed a Protest to PG&E's Application. TURN noted that PG&E's Application for the GAMI Replacement Program (GAMI 2.0) will continue through 2030, asking for a review addressing costs and resulting

¹⁹ See Motion at 11.

²⁰ See SBUA Response at 2-3.

revenue requirement through 2026 and deferring 2027-2030 costs to Test Year 2027 General Rate Case. TURN urged the Commission to reject that approach, direct PG&E to make a single showing covering the entirety of the proposed program, and direct PG&E to supplement its Application so that PG&E's best forecast of costs and benefits for each element of the entire program are considered.²¹

TURN expressed concern about an increased "stranded investment" to the extent California's electrification efforts render gas metering and billing advances unnecessary or less relevant. Instead, it urged the Commission to examine the appropriateness of committing to a GAMI 2.0 approach and its attendant costs, particularly the need to minimize rather than add to the stranded cost risk going forward.²²

TURN stated that the Commission should direct PG&E to prepare and present supplemental testimony that would compare the authorized forecasts of costs and benefits for the GAMI Replacement Program as addressed in D.06-07-027 with the actual recorded costs and benefits,²³ and stated that the Commission should include in the scope of this proceeding the appropriate ratemaking treatment for the remaining investment in the removed GAMI 1.0 Modules.²⁴

²¹ TURN Protest at 2-3.

²² TURN Protest at 3-4.

²³ TURN Protest at 4.

²⁴ TURN Protest at 5.

TURN also raised the issue whether PG&E's installation and maintenance of the first-generation GAMI 1.0 system was tied in any way to error or noncompliance on PG&E's part,²⁵ and expressed concern that PG&E's Application presented retroactive ratemaking issues.²⁶

4.3. Cal Advocates Protest

On April 19, 2024, Cal Advocates filed a Protest to PG&E's Application in which it noted that while D.23-11-069 (1) adopted a forecast of \$0 for replacing the Gas Modules due to PG&E's failure to substantiate the nature of its forecast and propose a reasonable allocation of costs between ratepayers and shareholders, that decision also authorized PG&E to file a separate application seeking recovery for its Gas Module Replacement Program.²⁷ Cal Advocates noted that the Commission had not previously authorized PG&E to establish a memorandum account to track and record its actual revenue requirements for the GAMI Replacement Program costs and should not authorize the requested memorandum accounts until it confirms that PG&E's proposed methodology for recording costs reflects adequate line-item detail that will allow evaluation of the reasonableness of those costs and whether those costs were authorized and compliant with relevant Commission orders.²⁸

Cal Advocates noted that PG&E asserted that its Application provides evidence to demonstrate that the earlier-than-expected failure of the GAMI 1.0

²⁵ TURN Protest at 5-6.

²⁶ TURN Protest at 6.

²⁷ Cal Advocates Protest at 2.

²⁸ Cal Advocates Protest at 3.

System was not a result of an error or noncompliance on the utility's part.²⁹ Cal Advocates stated that it would examine whether PG&E bears responsibility for premature Gas Module failures and propose a reasonable allocation for sharing costs between PG&E's ratepayers and shareholders.³⁰

4.4. PG&E Reply to Protests and Responses

On April 29, 2024, PG&E filed a Reply to the Intervenor's several protests and responses outlined above, addressing issues within the scope of the proceeding, replying to the intervenors as follows:

(1) *Continued Investment in Gas AMI in Light of Electrification Goals.* PG&E stated it had presented prepared testimony demonstrating that its proposed investment in GAMI is necessary despite California's electrification goals and the expected corresponding decline in gas demand;³¹

(2) *Reasonableness of Program Costs.* PG&E maintains that it has submitted sufficient evidence to meet its burden of showing that the costs of the program (including the system upgrade) are reasonable and should be recovered in rates;³²

(3) *Cost Allocation, Rate Design and Cost Recovery Proposals.* PG&E maintained that its proposals for recovering 2023-2026 revenue requirements set forth in Chapter 6 of its prepared testimony are reasonable and appropriate;³³

(4) *Appropriate Ratemaking Treatment for Retired Plant Investment.* PG&E stated that while it agrees that rate of return is an appropriate issue for this proceeding it did not agree that a supplemental

²⁹ Cal Advocates Protest at 4.

³⁰ Cal Advocates Protest at 4.

³¹ PG&E Reply at 2.

³² PG&E Reply at 2.

³³ PG&E Reply at 3.

showing is necessary. PG&E explained its proposal regarding the rate of return on rate base and remaining depreciable life in Chapter 5 of its prepared testimony, and that it used depreciation rates adopted by the Commission in the 2023 GRC and calculated the rate of return consistent with D.23-01-002 (for 2023, 2025 and 2026) and the approved Advice Letter 4813-G/7046-E (for 2024), concluding that no reduction to the rate of return is warranted;³⁴ and

(5) *Allocation of Costs to PG&E*. PG&E stated that it provided evidence that earlier-than-expected Gas Module failures were not a result of an error or noncompliance on PG&E's part.³⁵

4.5. Joint Supplemental Information

The ALJ ruling on July 10, 2025, ordered the Settling Parties to address Scoping Memo Issues 10 and 11, concerning public health and safety issues, and impacts on environmental and social justice communities, respectively. In their July 23, 2025 Joint Supplemental Statement, the Settling Parties addressed Scoping Memo Issues 10 and 11, arguing that those issues have been resolved by the proposed Settlement Agreement and are uncontested by any party in this proceeding.

The ALJ issued a second ruling on October 17, 2025, ordering the Settling Parties to address aspects of Scoping Memo Issues 7, 8, and 9, individually. In their October 27, 2025 Second Joint Supplemental Statement, the Settling Parties addressed those Scoping Memo issues, arguing that those issues have been resolved by the proposed Settlement Agreement and are uncontested in this proceeding.

³⁴ PG&E Reply at 4.

³⁵ PG&E Reply at 4.

5. Settlement Agreement Terms

After significant and extended negotiation, the Settling Parties filed their Joint Motion on March 14, 2025 for adoption of the Settlement Agreement. The Parties maintain that the Settlement Agreement presents a cohesive bargain that reflects reasonable compromises on all issues addressed in the proceeding record, including all prepared testimony. They contend it is indivisible, with each part interdependent on each and all other parts, and request the Commission to approve the Settlement Agreement in its entirety.³⁶

The Settlement Agreement resolves seven key issues as follows:

1. ***Adopted Expenses.*** PG&E's adopted 2024-2026 expense forecast for the GAMI Replacement Program is \$4 million, and the reductions in that forecast are not tied to any particular Major Work Category.³⁷
2. ***Adopted Capital Expenditures.*** PG&E's adopted 2023-2026 capital expenditure expense forecast is \$420 million, and the reductions in that forecast are not tied to any particular Major Work Category.³⁸
3. ***Additional Revenue Requirement Adjustment.*** The adopted revenue requirement for 2023-2026 will be reduced by \$1.049 million to reflect a previously provided calculation of the undepreciated portions of the Gas Modules that failed before reaching 15 years of age.³⁹
4. ***Adopted Revenue Requirements.*** The adopted revenue requirement for 2023-2026 is a total of \$88,594,500.⁴⁰

³⁶ Joint Motion at 12-13.

³⁷ Settlement Agreement at Section 3.1.

³⁸ Settlement Agreement at Section 3.2.

³⁹ Settlement Agreement at Section 3.3.

⁴⁰ Settlement Agreement at Section 3.4. The \$88,594,500 total is based on values denoted in the Settlement Agreement, with an annual breakout (in whole dollars) as follows: \$478,495 for 2023; \$14,186,324 for 2024; \$30,620,849 for 2025; and \$44,265,819 for 2026. Settlement Agreement at Section 3.4.

5. ***Cost Recovery.*** PG&E will use its existing revenue adjustment mechanisms to recover the \$88,594,500 adopted revenue requirements set forth above.⁴¹
6. ***Changes to Rates.*** PG&E will recover all costs recorded to the GAMIMA through the next available rate change or the next Annual Electric True-Up (AET) and Annual Gas True-Up (AGT) advice letters should the Commission approve the Settlement Agreement. Should the subsequent AET and AGT advice letters be approved, PG&E will file a Tier 1 advice letter to close the GAMIMA.⁴²
7. ***PG&E's Proposed GAMI Technology Upgrade.***
 - PG&E will complete the 2023-2026 scope of work it had forecast in its GAMI 2.0 Technology Upgrade (Upgrade) within the \$420 million authorized capital expenditures agreed upon in the Settlement; and
 - PG&E will not include in its 2027 General Rate Case or another application any capital expenditures for 2027 and beyond for work it had forecast in the A.24-03-011 for the Upgrade.
 - The 2023-2026 capital additions for the Upgrade will not exceed the \$420 million agreed to in the Settlement Agreement and can be included in the rate base in PG&E's 2027 General Rate Case (GRC);
 - PG&E may forecast approximately \$7 million in additional capital expenditures for 2027 and beyond in its 2027 GRC to complete the Upgrade, and parties are free to object to PG&E's forecast for 2027 and beyond.⁴³

⁴¹ Settlement Agreement at Section 3.5.

⁴² Settlement Agreement at Section 3.6.

⁴³ Settlement Agreement at Section 3.7.

We note for clarity that a factual recital in Settlement Agreement Section 2.13 misstates the effective date of the GAMIMA as “March 14, 2014.” In D.24-11-010, the Commission authorized creation of Pacific Gas and Electric Company’s GAMIMA with an effective date of March 14, 2024.

6. Discussion

California law recognizes “a strong public policy favoring the voluntary settlement of disputes.”⁴⁴ An adjudicating tribunal must find a proposed settlement agreement satisfies prescribed criteria before deciding upon approval.⁴⁵

The Commission facilitates this strong policy goal by considering whether a settlement agreement produces a just outcome overall, instead of focusing on its individual terms:

In assessing settlements, we consider individual settlement provisions but, in light of strong public policy favoring settlements, *we do not base our conclusion on whether any single provision is the*

⁴⁴ *Rheinhart v. Nissan N. Am., Inc.*, 92 Cal.App.5th 1016, 1027 (Cal. Ct. App. 2023) (stating “California has a strong public policy favoring the voluntary settlement of disputes” and citing *Monster Energy Co. v. Schechter*, 7 Cal.5th 781, 793 (Cal. 2019), 249 Cal.Rptr.3d 295, 444 P.3d 97; *Zamora v. Clayborn Contracting Group, Inc.*, 28 Cal.4th 249, 260 (Cal. 2002), 121 Cal.Rptr.2d 187, 47 P.3d 1056 (“the law favors settlements”); *Kaufman v. Goldman*, 195 Cal.App.4th 734, 745 (Cal. Ct. App. 2011), 124 Cal.Rptr.3d 555 (*Kaufman*); *Osumi v. Sutton*, 151 Cal.App.4th 1355, 1359 (Cal. Ct. App. 2011), 60 Cal.Rptr.3d 693 (“[i]t is, of course, the strong public policy of this state to encourage the voluntary settlement of litigation”). Settlement agreements “are highly favored as productive of peace and good will in the community, and reducing the expense and persistency of litigation.” *McClure v. McClure*, 100 Cal. 339, 343 (Cal. 1893).

⁴⁵ See, e.g., *Rheinhart v. Nissan N. Am., Inc.*, 92 Cal.App.5th at 1027 (“Notwithstanding that policy, courts can declare settlement agreements and releases, which the law treats like any other contracts (*Timney v. Lin* (2003) 106 Cal.App.4th 1121, 1127, 131 Cal.Rptr.2d 387), void and unenforceable on the basis of other public policies, illegality or unfairness.”).

*optimal result. Rather we determine whether the settlement as a whole produces a just and reasonable outcome.*⁴⁶

Rule 12.1(d) establishes the Commission's requirements to evaluate and approve a proposed Settlement Agreement. Rule 12.1(d) provides that a proposed settlement may be approved if the Commission finds it to be (1) reasonable in light of the whole record, (2) consistent with the law, and (3) in the public interest.⁴⁷

The Settling Parties contend that the Settlement Agreement terms comprehensively address and resolve all of the Scoping Memo's contested issues. The Settling Parties also provided subsequent Supplemental Statements showing that no disputed issue remains for the Commission to adjudicate in this proceeding. Therefore, our review moves to the adoption of the proposed Settlement Agreement Rule 12.1(d). For the reasons below, the Joint Motion is granted and the Settlement Agreement is approved and adopted.

6.1. Reasonable Resolution of Issues In Light of the Whole Record

The Settlement Agreement is reasonable in light of the whole record. The record of this proceeding shows that the Settlement Agreement was achieved as result of zealous advocacy and arm's length negotiations by sophisticated counsel for PG&E and for ratepayer advocacy entities throughout this proceeding.

⁴⁶ See D.11-05-018 at 16 (emphasis added).

⁴⁷ See, e.g., D.12-10-019, Order Denying Rehearing of D.08-08-030 (October 11, 2012) at 14-15; D.09-11-008, Decision Denying Motion to Adopt Contested Settlement and Dismissing Application (November 20, 2009) at 6.

The record shows that PG&E filed its present Application pursuant to our grant of authority in D.23-11-069. This Application prompted the filing of the other Settling Parties' Responses, Protests, and testimony identifying contested issues. In the course of this proceeding, PG&E (1) prepared six chapters of testimony detailing the updated scope of work, proposed capital and expense forecasts, and proposed cost recovery for the Application; (2) submitted nearly 120 pages of work papers including details supporting the scope of work and cost forecasts; (3) responded to over 200 data requests from the ratepayer advocate parties; and (4) participated in several informal technical meetings to arrive at the Settlement Agreement.⁴⁸

The proceeding record establishes that Scoping Memo Issue 1 was resolved by the issuance of our interim decision D.24-11-010, authorizing establishment of a memorandum account effective March 14, 2024.

The proceeding record shows that the Settling Parties addressed and reasonably resolved the remaining Scoping Memo Issues 2 through 11 in this proceeding. Below we address the reasonableness of the Settlement Agreement's resolution of Scoping Memo Issues 2-6, Issues 7-9, and Issues 10-11 in light of the record.

6.1.1. Issues 2 to 6 – Reasonableness of Proposed Revenue Requirement and Forecasts

The record shows that Scoping Memo Issues 2, 3, 4, 5, and 6 were raised and resolved reasonably by the Settling Parties throughout this proceeding.

⁴⁸ See Joint Motion at 10-11.

The Protests and Responses raised objections regarding whether the GAMI Replacement Program cost recovery should be adopted and, if so, the cost-effectiveness and consequent reasonableness of PG&E's proposed GAMI system Upgrade (Issues 5 and 6).

PG&E's Reply to those Protests and Responses argued: (1) the reasonableness of its expense and capital forecasts (Issue 2); (2) the reasonableness of its revenue requirements for the GAMI Replacement Program (Issue 3), and (3) whether the Commission should authorize PG&E to reflect its proposed 2023-2026 revenue requirement for its GAMI Replacement Program in rates (Issue 4).

The record establishes that the Settling Parties' respective testimony and negotiations resulted in PG&E reducing its initial total forecast from \$496.2 million to \$424 million (a 14.6% decrease) and its revenue requirement request by 38.2%, from \$143.3 million to \$88.6 million, culminating in the Settlement Agreement. The key settlement terms described above, reasonably address and resolve Scoping Memo Issues 2, 3, 4, 5, and 6 through the terms of the Settlement Agreement.⁴⁹

6.1.1.1. Revenue Requirement Reductions

The record shows that the adversary process between sophisticated parties and counsel in this proceeding has resulted in significant and measurable reductions in the initial and proposed requested revenue requirements.

⁴⁹ The Objecting Parties' Responses and Protests specifically raised issues 1, 5, 6, and 8, while PG&E's Reply addressed issues 2, 3, and 4.

Various estimates, updates, and compromises by PG&E and the other Settling Parties throughout this proceeding, culminated in the Settlement Agreement terms whereby PG&E has agreed to recover from ratepayers a \$88.6 million revenue requirement that reduced by 38.2% its requested \$143.3 million forecasted amount in the Application.

A summary of PG&E's total revenue requirement reduction resulting from this proceeding appears in Table 1 below.

Table 1:
PG&E Revenue Requirement Reduction for
GAMI Replacement Program

Category	Application 24-03-011	Settlement Agreement	Adjustment (\$)	Adjustment (%)
Total Revenue Requirement Requested	\$143,300,000	\$88,594,500	(\$54,705,500)	(38.2%)

The proceeding record reflects the series of events that led to downward adjustments to PG&E's original demand.

February 19, 2025 errata to PG&E Rebuttal Testimony. After the exchange of prepared testimony, PG&E identified reductions to its requested revenue requirement in its February 19, 2025 errata to its Rebuttal Testimony. PG&E revised its rebuttal testimony to reduce its total revenue requirement request from \$143.3 million in A.24-03-011 to \$105,641,779.⁵⁰

⁵⁰ See A.24-03-011 at 13 and Settlement Agreement at 2.20.

No retroactive recovery between January 1, 2023 and March 14, 2024. The record also shows that PG&E agreed that it cannot recover costs for its GAMI Replacement Program incurred between January 1, 2023 and March 14, 2024. The company first sought in the Application to recover GAMI Replacement Program costs incurred beginning January 1, 2023 — prior to the filing of the March 14, 2024 Application. Nevertheless, in connection with their opposition to PG&E's GAMIMA Motion, Cal Advocates and TURN argued persuasively that PG&E's recovery in rates of expenditures prior to the March 14, 2024 filing of the Application would constitute prohibited retroactive ratemaking. PG&E subsequently modified its request.

As a result, in interim decision D.24-11-010, granting PG&E's GAMIMA Motion, we authorized PG&E to establish a new memorandum account to track and record PG&E's actual revenue requirements for costs only back to the Application's March 14, 2024 filing date.⁵¹ PG&E therefore cannot recover from ratepayers any costs incurred for its GAMI Replacement Program between January 1, 2023 and March 14, 2024. The Settling Parties identified a revenue requirement reduction of \$478,495 for that period.⁵²

Negotiated reductions. The record shows that PG&E further compromised after continued settlement discussions among the Settling Parties, culminating in the proposed Settlement Agreement terms whereby:

- 1) PG&E reduced its previously adjusted 2023-2026 expense revenue requirement by 54.9%, from \$9,067,060 identified

⁵¹ Decision 24-11-010, Ordering Paragraph 1.

⁵² See Motion at 9.

in the February 19, 2025 errata to its Rebuttal Testimony, to \$4,085,901,⁵³ and

- 2) PG&E reduced its previously adjusted 2023-2026 capital revenue requirement by 11.4%, from \$96,574,719 identified in its February 19, 2025 errata to its Rebuttal Testimony, to \$85,584,327.⁵⁴

As a result, PG&E again reduced its previously adjusted total revenue requirement by an additional 15.1%, from \$105,641,779 to a total revenue requirement of \$89,643,229.⁵⁵

Undepreciated failed Gas Module reduction. The record further shows that the Settling Parties downwardly adjusted the resulting proposed 2023-2026 revenue requirement of \$89,643,229 by \$1,048,729 to "reflect a previously-provided calculation of the undepreciated portions of the Gas Modules that failed and were replaced prior to reaching 15 years of age."⁵⁶ The Settling Parties propose in the Settlement Agreement a total revenue requirement of \$88,594,500.⁵⁷ The Settling Parties thereby again reduced PG&E's previously-adjusted total revenue requirement by an additional 1.2%.

As a result, the Settling Parties' proposed total revenue requirement of \$88,594,500 in the Settlement Agreement is a significant 38.2% reduction from PG&E's initial \$143.3 million total requested in A.24-03-011.

⁵³ See Settlement Agreement at 2.20 and 3.4.

⁵⁴ See Settlement Agreement at 2.20 and 3.4.

⁵⁵ See Settlement Agreement at 3.4 (Line 3).

⁵⁶ See Settlement Agreement at 3.3.

⁵⁷ See Settlement Agreement at 3.4.

The proceeding record showing the Settling Parties' positions, negotiations, and resulting compromises establishes that the Settlement Agreement's proposed revenue requirements for the GAMI Replacement Program are just and reasonable.

6.1.1.2. Forecast Reductions

The proceeding record shows that, similar to the revenue requirement, the Settling Parties achieved significant reductions to the expense and capital expenditure forecast through their negotiations in this proceeding.

A summary of PG&E's forecast reductions resulting from this proceeding appears in Table 2 below.

**Table 2:
PG&E Forecast Reductions for
GAMI Replacement Program**

Category	Application 24-03-011	Settlement Agreement	Adjustment (\$)	Adjustment (%)
Expense Forecast	\$11,173,000	\$4,000,000		
Capital Expenditure Forecast	\$485,058,000	\$420,000,000	(\$65,058,000)	(13.4%)
<u>Total Forecast</u>	<u>\$496,231,000</u>	<u>\$424,000,000</u>	<u>(\$72,231,000)</u>	<u>(14.6%)</u>

As shown in Table 2, PG&E's initial \$11,173,000 expense forecast in the Application was reduced by \$7,173,000, or 64.2%, to \$4,000,000 in the Settlement Agreement. Likewise, PG&E's initial \$485,058,000 capital expenditure forecast in the Application was reduced by \$65,058,000, or 13.4%, to \$420,000,000 in the

Settlement Agreement. As a result, PG&E's initial \$496,231,000 total forecast in the Application was reduced by \$72,231,000, or 14.6%, to \$424,000,000 in the Settlement Agreement.

The proceeding record showing the Settling Parties' positions, negotiations, and resulting compromises establishes that the Settlement Agreement's proposed forecasts for the GAMI Replacement Program are reasonable.

6.1.1.3. Cost Recovery and Rates

Because the Settlement Agreement's proposed forecasts and revenue requirements are just and reasonable in light of the proceeding record, that record further supports the reasonableness of the Settlement Agreement's resolution regarding Scoping Memo Issues 4-6.

With respect to Scoping Memo Issue 4, it is reasonable based on the proceeding record that PG&E be authorized, according to the terms of the Settlement Agreement section 3.6, to reflect the proposed 2023-2024 revenue requirement for its GAMI Replacement Program in rates through the next available rate change or Annual Electric True-up and Annual Gas True-Up, following the issuance of this decision.

With respect to Scoping Memo Issue 5, PG&E cost recovery is reasonable based on the proceeding record and may be adopted according to the terms of the Settlement Agreement section 3.5, authorizing use of PG&E's existing revenue mechanisms to recover the adopted revenue requirements.

With respect to Scoping Memo Issue 6, the proceeding record shows that PG&E's proposed 2023-2026 GAMI Upgrade is likely to be cost-effective such

that the costs are reasonable and should be recovered in rates within the Settlement Agreement's \$420 million authorized capital expenditure forecast and according to the terms and limitations of the Settlement Agreement section 3.7.

6.1.2. Issues 7 to 9 - Reasonable Allocation of Responsibility for Module Failure

Scoping Memo Issues 7, 8 and 9 relate to whether PG&E bears some responsibility for the failure of GAMI 1.0 Modules prior to end of their 15-year service lives. This was a prominently contested issue in PG&E's 2023 GRC, where PG&E requested approval of approximately \$36.5 million in expense and approximately \$743.9 million in capital expenditures in 2023-2026 to replace Gas Modules that had failed or were expected to fail.⁵⁸ There, the Commission adopted a forecast of \$0 for replacing Gas Modules for 2023-2026, but allowed PG&E to file the present, separate application seeking cost recovery for GAMI Replacement.

The record shows that in response to PG&E's present Application, the Cal Advocates, TURN, and SBUA again raised the issue — in various ways — of whether PG&E should bear any responsibility for the earlier-than-expected Gas Module failures. As a result, the Scoping Memo identified the three issues that

⁵⁸ See October 27, 2025 Joint Supplemental Statement at 1-2 (recounting "In that 2023 GRC, Cal Advocates and TURN recommended removing costs associated with replacing Gas Modules from PG&E's forecast, including the cost of replacing all the GAMI 1.0 Modules that failed prior to the end of their service lives. TURN argued that PG&E should be required to provide evidence on the degree of responsibility for the earlier-than expected failures of Gas Modules. TURN also argued that PG&E should present a proposal that shares costs between ratepayers and shareholders. Similarly, Cal Advocates recommended that capital costs for replacement of Gas Modules should be shared among ratepayers, shareholders, and the Gas Module manufacturer.").

relate to the question of PG&E responsibility for premature Gas Module failures that the ratepayer advocates raised in response to the Application: (1) PG&E's failure, error or noncompliance with installing and/or maintaining its GAMI 1.0 system (Issue 7); (2) whether the GAMI Replacement Program costs should be allocated between ratepayers and shareholders (Issue 8); and (3) the appropriate ratemaking and cost recovery treatment for any remaining investment in the GAMI 1.0 system ("stranded investment" as Issue 9). The Settling Parties set forth their various positions in the proceeding record.

PG&E's Prepared Testimony states that it acted prudently in installing and maintaining its first-generation GAMI 1.0 system and that the ultimate factor that led to earlier-than-expected Gas Modules failures involved battery life rather than any error or noncompliance by PG&E. Based on this evidence, PG&E argued that it bears no responsibility for the early failure of the Gas Modules and that no shareholder funding is warranted.⁵⁹

Cal Advocates provided a history of Commission decisions concerning the mitigation of so-called "stranded assets," and testified that PG&E (and its Gas Module supplier) bears some responsibility for early Gas Module failures. Cal Advocates recommended that PG&E be required to present testimony that discusses how (or if) it plans to handle the stranded assets and resulting costs associated with the early retirement of its original Gas Modules.⁶⁰

⁵⁹ See October 27, 2025 Joint Supplemental Statement at 2-3 and Exhibit A (Chapter 4 of prepared testimony).

⁶⁰ See October 27, 2025 Joint Supplemental Statement at 3 and Exhibit B (prepared testimony).

TURN testified that it was “concerned that the allocation of responsibility, and therefore costs, for premature equipment failures is placed solely on ratepayers, rather than shared by PG&E’s shareholders who are still profiting from the initial deployment, despite early failures.”⁶¹ TURN recommended that “the Commission deny PG&E’s Application and instruct PG&E to perform a comprehensive root-cause analysis to establish the cause(s) of each type of early failure to avoid recurring failures and conclusively attribute responsibility for early failures.”⁶² TURN offered that PG&E should earn zero return on any stranded assets in rate base, and the replacement costs for premature failures should be shared equally between ratepayers and PG&E shareholders.⁶³

SBUA asserted in testimony that, because some Gas Modules failed before the expiration of their service lives, “[t]here must be some consequences to the shareholders of PG&E for this failure.”⁶⁴ SBUA further recommended that the Commission require PG&E to include at least \$10 million in shareholder funds into the GAMI Replacement Program.⁶⁵

PG&E submitted Rebuttal Testimony stating that there are no stranded costs associated with GAMI 1.0 Modules.⁶⁶ In response to Cal Advocates’ request

⁶¹ See October 27, 2025 Joint Supplemental Statement at 3 and Exhibit C (prepared testimony).

⁶² See October 27, 2025 Joint Supplemental Statement at 3 and Exhibit C (prepared testimony).

⁶³ See October 27, 2025 Joint Supplemental Statement at 3 and Exhibit C (prepared testimony).

⁶⁴ See October 27, 2025 Joint Supplemental Statement at 3-4 and Exhibit D (prepared testimony).

⁶⁵ See October 27, 2025 Joint Supplemental Statement at 4 and Exhibit D (prepared testimony).

⁶⁶ See October 27, 2025 Joint Supplemental Statement at 4 and Exhibit E (prepared testimony).

that PG&E “quantify the magnitude of the undepreciated portions of those original GAMI 1.0 modules that have prematurely failed (and been replaced), as well as the magnitude of the returns associated with those remaining modules,” PG&E calculated \$9.83 million of undepreciated plant balances for GAMI 1.0 Modules that were replaced between 2023-2026 before they had reached the end of their 15-year service lives.⁶⁷ In addition, PG&E calculated approximately \$1.049 million of revenue requirement associated with the Return on Equity (ROE) on the \$9.83 million of undepreciated plant balances for GAMI 1.0 Modules replaced between 2023-2026 before reaching the end of their service lives.⁶⁸

Although the Settlement Agreement does not expressly identify resolutions of Scoping Memo Issues 7, 8, and 9, the Settling Parties second Joint Supplemental Statement demonstrates that those issues have been reasonably resolved by the proposed Settlement Agreement as compromises of the Settling Parties’ litigation positions above.

First, the Settling Parties agreed to reduce the adopted 2023-2026 capital expenditure forecast from \$485 million to \$420 million, a reduction of approximately \$65 million.⁶⁹ *Second*, the Settling Parties agreed to reduce the

⁶⁷ See October 27, 2025 Joint Supplemental Statement at 4 and Exhibits B and E (prepared testimony). See also, October 27, 2025 Joint Supplemental Statement at 4 and Exhibit F (PG&E data request response, addressing PG&E’s calculation of \$9.83 million of undepreciated plant balances for GAMI 1.0 Modules that were replaced between 2023-2026 before reaching the end of their service lives).

⁶⁸ See October 27, 2025 Joint Supplemental Statement at 4 and Exhibit E (prepared testimony).

⁶⁹ See October 27, 2025 Joint Supplemental Statement at 5; Settlement Agreement at Sections 2.2 and 3.2. See also, Table 2.

adopted 2023-2026 expense forecast from approximately \$11.2 million to \$4 million, a reduction of approximately \$7.2 million.⁷⁰ *Third*, the Settling Parties agreed that the adopted revenue requirement for 2023-2026 will be reduced by \$1.049 million to reflect the calculation described above of the undepreciated portions of the Gas Modules that failed and were replaced prior to reaching 15 years of age.⁷¹

As a result of these concessions, the adopted revenue requirements for 2023-2026 total approximately \$88.6 million — approximately \$54.7 million (or 38.2%) lower than PG&E's initial request of \$143.3 million in the Application.⁷²

The Settling Parties reached agreement on these issues (and others) after considering the possibility that each party may or not prevail on any given issue. The agreed-upon reductions required all parties to move off their strongly held litigation positions. Specifically, the proposed Settlement Agreement resolves Issues 7-9 in the following manner:

- **Issue 7:** The agreed-upon \$1.049 million reduction to the 2023-2026 revenue requirement reflects no ROE earned by PG&E for the approximately \$9.83 million in undepreciated plant for the Gas Modules that failed and were replaced prior to reaching 15 years of age. This presents a reasonable compromise among the Settling Parties concerning the issue of whether earlier-than

⁷⁰ See October 27, 2025 Joint Supplemental Statement at 5; Settlement Agreement at Sections 2.2 and 3.1.

⁷¹ See October 27, 2025 Joint Supplemental Statement at 5; Settlement Agreement at Section 3.3.

⁷² See October 27, 2025 Joint Supplemental Statement at 5; Settlement Agreement at Section 3.4. See also, Table 1.

- expected GAMI 1.0 Module failures were tied to any failure, error, or noncompliance on PG&E's part.
- **Issue 8:** The Settlement Agreement does not include an explicit allocation of GAMI Replacement Program costs among ratepayers and shareholders. However, the agreed-upon approximately \$65 million reduction to PG&E's 2023-2026 authorized capital expenditure forecast, and approximately \$7.2 million reduction to PG&E's 2023-2026 authorized expense forecast, presents a reasonable compromise among the Settling Parties concerning the capital expenditures and expenses that may reasonably be recovered from ratepayers.
 - **Issue 9:** The agreed-upon \$1.049 million reduction to the 2023-2026 revenue requirement to reflect no ROE earned by PG&E for the approximately \$9.83 million in undepreciated plant for the Gas Modules that failed and were replaced prior to reaching 15 years of age is a reasonable compromise among the Settling Parties concerning the appropriate ratemaking and cost recovery treatment for the remaining investment in PG&E's removed GAMI 1.0 Modules. The Settling Parties' agreement that PG&E will receive no ROE for the undepreciated equipment for Gas Modules that failed and were replaced before reaching 15 years of age is a reasonable compromise of litigation positions among the Settling Parties.

The compromises above are reasonable in light of the whole record. Each of the Settling Parties developed testimony that addressed Scoping Memo Issues 7-9. The Settling Parties' litigation positions with respect to these issues are clearly set forth and explained in their respective testimony, developed after engaging in a robust discovery period in which PG&E responded to over

200 data requests (including subparts) from the Settling Parties and participated in several additional informal technical meetings.

The Settling Parties represented PG&E's customers. Cal Advocates and TURN are charged with advocating on behalf of PG&E's residential customers, and SBUA represents the interests of the small business customers. Discovery, the settlement process, and responses to party positions, have resulted in a compromise settlement among sophisticated, experienced parties. As a result, the compromises reached to resolve Scoping Memo Issues 7-9 result in a Settlement Agreement that is reasonable in light of the whole record.

6.1.3. Issues 10 and 11 - No Health, Safety, or Environmental and Social Justice Impacts

Finally, the Settling Parties first Joint Supplemental Statement demonstrates that Scoping Memo Issue 10 (existence of any public health or safety issues related to this proceeding that must be addressed) and Issue 11 (impacts on environmental and social justice communities, including how the GAMI Replacement Program impacts the achievement of the Commission's Environmental and Social Justice Action Plan) have been resolved.

The record shows that SBUA addressed Issue 10 in its testimony, noting that some customers have raised concerns that the radio frequency (RF) emissions associated with AMI installations pose potential health risks.⁷³ PG&E addressed that concern satisfactorily in its Rebuttal Testimony, explaining that the issue regarding potential health risks posed by RF emissions was thoroughly addressed by the Commission in various SmartMeter proceedings, resulting in

⁷³ See July 22, 2025 Joint Supplemental Statement at 1-2 (citing record testimony).

the D.12-02-014, modifying PG&E's SmartMeter program to include an opt-out option.⁷⁴ PG&E further explained that it informs customers that they can opt out of the SmartMeter Program and retain an analog meter on their premises.⁷⁵ There are no other public health or safety issues that must be addressed in this proceeding. Therefore, the record shows that Commission approval and adoption of the proposed Settlement Agreement would resolve Issue 10 in this proceeding.

The Commission's Environmental and Social Justice (ESJ) Action Plan version 2.0 was released on April 7, 2022. The record shows no negative impacts on environmental and social justice communities presented by PG&E's GAMI Replacement Program. In addition, the record does not show that PG&E's GAMI Replacement Program impacts the achievement of any of the nine goals set forth in the Commission's ESJ Action Plan.

Notably, SBUA recommended in testimony that PG&E implement measures to ensure tangible benefits for ESJ communities, such as targeted workforce development and hiring programs.⁷⁶ In response, PG&E noted that it supports and enables workforce development for ESJ purposes in communities it serves, and values an inclusive culture with a diverse workforce that reflects the diversity of its customers.⁷⁷ PG&E also stated in rebuttal testimony that (1) its supplier diversity program provides substantial benefits to California and the

⁷⁴ See July 22, 2025 Joint Supplemental Statement at 2 (citing record testimony).

⁷⁵ See July 22, 2025 Joint Supplemental Statement at 2 (citing record testimony).

⁷⁶ See July 22, 2025 Joint Supplemental Statement at 2 (citing record testimony).

⁷⁷ See July 22, 2025 Joint Supplemental Statement at 2-3 (citing record testimony).

communities it serves; and (2) PG&E field technicians performing most work associated with its GAMI Replacement Program are mainly based in the communities they serve and are represented by the International Brotherhood of Electrical Workers (IBEW) Local 1245.⁷⁸ Therefore, the record shows that approval and adoption of the proposed Settlement Agreement would resolve Scoping Memo Issue 11 in this proceeding.

6.1.4. Conclusion

The proceeding record, including the Application, party testimony, Responses and Protests, the resulting Settlement Agreement, and Settling Parties two Joint Supplemental Statements show that Scoping Memo Issues 1 through 11 were addressed by the Settling Parties through the process to achieve the Settlement Agreement. Those issues are now uncontested after being reasonably resolved by the Settling Parties.

We conclude that the record that underlies the Motion and proposed Settlement Agreement reflects that the Commission directed the utility and ratepayer advocates through a deliberate and meaningful process, requiring them to engage in an effective exchange of evidence, present numerous contested issues for resolution, conduct significant arms-length negotiations to resolve all contested issues, and to propose a reasonable Settlement Agreement that resolves all issues. Accordingly, the Commission finds the Settlement Agreement reasonable in light of the whole record.

⁷⁸ See July 22, 2025 Joint Supplemental Statement at 3 (citing record testimony).

6.2. Consistency With Law

The Settlement Agreement is consistent with law. It complies with all applicable statutes, Commission rules, and prior Commission decisions, including the Commission's decision D.23-11-069 in PG&E's 2023 GRC proceeding. That decision allowed PG&E to file the present Application, seeking recovery for its GAMI Replacement Program.⁷⁹

We recognize that California's strong public policy favoring settlement does not excuse a contractual clause that is otherwise illegal or unjust.⁸⁰ Here, review of the Settlement Agreement terms reveals no such concerns.

The Settling Parties and counsel to this proceeding are sophisticated and experienced in Commission proceedings. They each possess substantial expertise regarding the issues presented by the Application. The record shows that the Settling Parties proposed approval and adoption of the Settlement Agreement through a written joint motion. Within the Motion, they present the factual and legal considerations adequate to advise the Commission of the scope and terms of the Settlement Agreement and of the grounds for its adoption. That Settlement Agreement was limited to the

⁷⁹ See Joint Motion at 11.

⁸⁰ *Rheinhardt v. Nissan N. Am., Inc.*, 92 Cal.App.5th at 1028 (citing *Timney v. Lin* (2003) 106 Cal.App.4th 1121, 1127, 131 Cal.Rptr.2d 387) ("[O]ur Supreme Court and other California courts have rejected the notion that a settlement judge may properly act to 'approve' an illegal contract and thereby shield it from invalidation. [Citations.] "). See also *Vitatech Internat., Inc. v. Sporn*, 16 Cal.App.5th 796, 807 (Cal. Ct. App. 2017) ("[A] court cannot validly enter a judgment or order which is void even if the parties agree to it.").

issues scoped in this proceeding. Therefore, the Parties complied with the written motion requirements of Rule 12.1(a).

The record also shows that, before signing the Settlement Agreement, the Settling Parties met and conferred and prepared a joint settlement status reports filed with the Commission. Therefore, the Settling Parties complied with the settlement conference requirements of Rule 12.1(b).

In addition, the Settlement Agreement effectuates established Commission and state policy to promote settlement of disputes. This policy reduces litigation expenses, conserves Commission resources, and allows parties to control the risk of unacceptable results of litigation. The Commission policy favoring settlements is especially appropriate here, where the Settling Parties, including Applicant PG&E, jointly requested approval of the Settlement Agreement and no party contests that Motion.

As a result, the Settlement Agreement complies with Commission laws, rules, orders, and decisions, as well as the strong public policy supporting settlements. Accordingly, the Commission finds the Settlement Agreement is consistent with applicable law.

6.3. Public Interest

Finally, as discussed below, the approval of the proposed Settlement Agreement is in the public interest. The California Supreme Court advised

that the public interest is evaluated in light of the circumstances of each case and the settlement agreement presented.⁸¹

The Settling Parties have shown that the Settlement Agreement is in the public interest in that it provides for a reasonable disposition of issues that would have otherwise been litigated with attendant costs on the Parties and the Commission, and that significant compromises of adverse litigation positions were made. As discussed above and shown in Table 2, in the Application, PG&E's forecasted spending approximately \$485.1 million in capital expenditures and \$11.2 million in expense from 2023-2026 for a total of \$496.2 million. The Agreement specifically includes an approximately \$7.2 million reduction in expenses and an approximately \$65 million reduction in capital expenditures from that proposed by PG&E in its Application. This results in a total reduction of \$72.2 million from its Application request of \$496.2 million.⁸² Further, PG&E agreed to additional

⁸¹ In *Santa Barbara v. Superior Court*, 41 Cal.4th 747, 755-56 (Cal. 2007), the California Supreme Court addressed the "factors or characteristics" that underlie the concept of "public interest" in the context of an agreement releasing liability as follows:

In passages widely quoted and followed or adopted as a guide by numerous out-of-state decisions addressing the enforceability of such agreements, we wrote "The social forces that have led to such characterization are volatile and dynamic. *No definition of the concept of public interest can be contained within the four corners of a formula.* The concept, always the subject of great debate, has ranged over the whole course of the common law; *rather than attempt to prescribe its nature, we can only designate the situations in which it has been applied. We can determine whether the instant contract does or does not manifest the characteristics which have been held to stamp a contract as one affected with a public interest.*"

(citing *Tunkl v. Regents of University of California*, 60 Cal.2d 92, 98 (Cal. 1963) (emphasis added)).

⁸² See Joint Motion at 11.

concessions regarding a reduction to the revenue requirements to account for undepreciated equipment associated with Gas Modules that failed before reaching 15 years of age.⁸³

Significantly, no party disputes that PG&E must to carry out its GAMI Replacement Program to replace failing Modules.⁸⁴ The Settlement Agreement lays to rest a troublesome hardware and battery failure for reasonable attendant costs to PG&E customers, as zealously negotiated by three ratepayer advocacy organizations. These cost reductions and the finality and certainty offered by the Settlement Agreement are substantial considerations. Finally, the Settlement Agreement anticipates the prospect of PG&E's provision of gas to customers in light of California's electrification goals and expected gas demand declines.

As discussed above, the Settlement Agreement reasonably resolves all disputes addressed in the filed responses and protests to the Application. It provides an efficient resolution to the otherwise highly contested issues identified by the Scoping Memo. The Settlement Agreement thereby avoids further unnecessary consumption of party and Commission time and resources. Approval of the Settlement Agreement aligns with the strong public policy favoring settlement of disputes. Accordingly, the Commission finds approval of the Settlement Agreement is in the public interest.

⁸³ See Joint Motion at 11-12.

⁸⁴ As we detailed in interim decision D.24-11-010, PG&E informed the Commission in its December 13, 2025 TY 2020 GRC application A.18-12-009 that Modules were at risk of failing prior to their expected 15-year life expectancy. PG&E then requested recovery for the GAMI replacement program in its TY 2023 GRC application A.21-06-021, filed June 30, 2021.

7. Conclusion

The record of this proceeding shows that the Settlement Agreement reasonably resolves all disputes raised by Cal Advocates, TURN, and the SBUA in their Responses and Protests challenging PG&E's GAMI Replacement Application. It complies with legal and policy requirements attendant to settlement of the present dispute. The Settlement Agreement provides an efficient resolution to otherwise highly contested issues raised by PG&E's Application, thereby avoiding further unnecessary consumption of the Parties' and the Commission's time and resources. Approval of the Settlement aligns with the strong public policy favoring settlement of disputes.

In sum, the Commission finds that the proposed Settlement Agreement is reasonable in light of the whole record, is consistent with the law, and is in the public interest under Rule 12.1(d). Accordingly, the Commission grants the Joint Motion and approves and adopts the proposed Settlement Agreement in its entirety.

8. Summary of Public Comment

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

There were approximately 30 relevant public comments on the Docket Card for this proceeding. The vast majority of the public comments expressed

concerns that PG&E is too frequently granted rate increases by the Commission and that the utility should bear accountability for its actions that increase rates without passing rate increases on to its customers.

9. Procedural Matters

This decision affirms all rulings made by the ALJ and assigned Commissioner in this proceeding.

All motions not ruled on are deemed denied.

10. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Public Utilities Code Section 311(g)(2), the otherwise applicable 30-day period for public review and comment is waived.

11. Assignment of Proceeding

Commissioner Matthew Baker is the assigned Commissioner and Jeffrey Lee is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. PG&E's GAMI 1.0 modules require replacement due to an earlier than expected equipment failure rate.
2. The Commission adopted a forecast of \$0 for replacing PG&E's GAMI 1.0 modules for 2023-2026 in D.23-11-069, and stated that PG&E may file a separate application seeking recovery of costs for replacement of GAMI modules, but authorized no revenue requirement.
3. PG&E filed A.24-03-011 on March 14, 2024, requesting funding for its GAMI 1.0 Replacement Program for 2023 through 2026.
4. In D.24-11-010, the Commission authorized PG&E to establish a Comprehensive Gas Advanced Metering Infrastructure Replacement Program

Memorandum Account to track GAMI replacement costs, beginning March 14, 2024.

5. The Public Advocates Office at the California Public Utilities Commission, The Utility Reform Network, and Small Business Utility Advocates filed timely Responses and Protests, which were timely replied to by PG&E.

6. On February 3, 2025, PG&E, Cal Advocates, TURN, and SBUA reached an agreement in principle (thereby becoming the Settling Parties), and held a formal Settlement Conference on March 7, 2025 after notice to the service list as required by Rule 12.1.

7. On March 14, 2025, the Settling Parties filed a Joint Motion for Adoption of Settlement Agreement.

8. A factual recital in Settlement Agreement Section 2.13 misstates the effective date of the GAMIMA as “March 14, 2014” instead of the effective date of March 14, 2024 authorized in D.24-11-010 by the Commission.

9. All Settling Parties sponsored the proposed Settlement Agreement for adoption by the Commission in its entirety.

10. The Settlement Agreement includes approximately \$7.2 million reduction in forecast expenses from that proposed by PG&E in its Application.

11. The Settlement Agreement includes approximately \$65 million reduction in forecast capital expenditures from that proposed by PG&E in its Application.

12. The Settlement Agreement includes a total reduction of \$54.7 million, or 38.2%, from its initial requested revenue requirement of \$143.3 million in its Application.

13. The Settling Parties' Joint Motion is uncontested.

14. The Settlement Agreement's terms are reasonable in light of the whole record.

15. The Settlement Agreement's terms are in the public interest.

16. The proposed Settlement Agreement presents a reasonable compromise of all issues raised in A.24-03-011.

17. The proposed Settlement Agreement presents an efficient, reasonable, and just resolution to contested issues arising from PG&E's Application, thereby avoiding further unnecessary and extended consumption of the Settling Parties' and the Commission's time and resources.

Conclusions of Law

1. The erroneous factual recital in Settlement Agreement Section 2.13 that misstates the effective date of Pacific Gas and Electric Company's Gas Advanced Metering Infrastructure Memorandum Account under D.24-11-010, should be corrected to state that the Commission authorized creation with an effective date of March 14, 2024.

2. The Settling Parties' Joint Motion to Adopt the Settlement Agreement should be granted.

3. All Motions not ruled on by the Assigned Administrative Law Judge or Assigned Commissioner should be denied.

4. A hearing is not necessary.

5. Application 24-03-011 should be closed.

O R D E R

IT IS ORDERED that:

1. *The Joint Motion by Pacific Gas and Electric Company, The Public Advocates Office at the California Public Utilities Commission, The Utility Reform Network, and Small Business Utility Advocates for Adoption of Settlement Agreement* is granted.
2. The Settlement Agreement by Pacific Gas and Electric Company, The Public Advocates Office at the California Public Utilities Commission, The Utility Reform Network, and Small Business Utility Advocates, attached hereto as Appendix A, is approved and adopted, and incorporated here by this reference as if fully set forth herein.
3. The Settlement Agreement by Pacific Gas and Electric Company, The Public Advocates Office at the California Public Utilities Commission, The Utility Reform Network, and Small Business Utility Advocates, attached hereto as Appendix A, is corrected at Section 2.13 to identify that the Public Utilities Commission issued Decision 24-11-010, authorizing creation of Pacific Gas and Electric Company's Gas Advanced Metering Infrastructure Memorandum Account with an effective date of March 14, 2024.
4. Pursuant to the terms of Section 3.6 of the Settlement Agreement by Pacific Gas and Electric Company, The Public Advocates Office at the California Public Utilities Commission, The Utility Reform Network, and Small Business Utility Advocates, attached hereto as Appendix A, PG&E is authorized to reflect the proposed revenue requirement in rates effective March 14, 2024 for its Gas Advanced Metering Infrastructure Replacement Program through its next

available rate change or Annual Electric True-up and Annual Gas True-Up, following the issuance of this decision.

5. All rulings made by the Administrative Law Judge and assigned Commissioner in this proceeding are affirmed.

6. All Motions not ruled on by the Administrative Law Judge and/or assigned Commissioner in this proceeding are denied.

7. Application 24-03-011 is closed.

This order is effective today.

Dated _____, at Sacramento, California

APPENDIX A
Settlement Agreement