

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Item# 12 (Rev.1)

Agenda ID #23770

RESOLUTION E-5420

October 30, 2025

R E S O L U T I O N

Resolution E-5420. Pacific Gas and Electric. Electric Rule 2, 15, and 16 Exceptional Case Submittal for Electric Transmission Service Facilities for STACK Infrastructure.

PROPOSED OUTCOME:

- Approves with modification two agreements to facilitate the energization of a new 90 megawatt data center for customer STACK Infrastructure.
- Modifies the refund process for energization-related costs in this case, limiting refunds to 75 percent of net revenues from the customer.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- This Resolution facilitates the energization of a new customer including both the associated costs of energization and the expected future revenues from the customer. The customer pays the upfront costs to connect to the grid, and could then be refunded for these costs after sufficient revenue is generated. This resolution limits refunds to 75 percent of the annual net revenue generated by the customer, reducing risks for ratepayers.

By Advice Letter 7569-E, Filed on April 18, 2025.

SUMMARY

This Resolution approves with modification Pacific Gas and Electric's (PG&E) Advice Letter (AL) 7569-E, which requests Commission approval of two agreements to support the energization of a new 90 megawatt data center load in San Jose, as requested by STACK Infrastructure. These agreements facilitate the construction of new transmission facilities to serve STACK's load. The Commission approves the Advice Letter with modifications, finding the agreements necessary and largely appropriate to energize this new load.

Specifically, the Commission requires modifications to the proposed process to refund energization costs advanced by STACK, to add additional ratepayer protection. As a large-load customer, STACK requires energization upgrades on a much larger scale than the typical customer, which are costly and should not fall on ratepayers if sufficient load does not materialize to offset costs. As a transmission customer, STACK would pay lower rates than distribution customers covered by the Base Annual Revenue Calculation (BARC) refund process on which AL proposal is based, while at the same time contributing to the need for broader transmission network upgrades in the region. In this case, the proposed standard BARC refund process would result in STACK receiving refunds for about \$50 million in energization costs after its first year of operation—well before PG&E will recover sufficient net revenues to offset those costs. In order to increase ratepayer protections in this exceptional case, the Commission requires modifying the refund process to limit refunds to 75 percent of PG&E's annual net revenues from STACK, which are the transmission-related revenues. This approach protects ratepayers while still allowing STACK to energize and receive a full refund over time. This would lead to a slower refund process, but would not affect the total refund amount.

BACKGROUND

On April 18, 2025, Pacific Gas and Electric Company (PG&E) submitted Advice Letter (AL) 7569-E requesting California Public Utilities Commission (Commission) approval of two agreements—an Agreement to Perform Tariff Schedule Related Work and an Agreement for Installation or Allocation of Special Facilities—executed with SI SVY01PG&E, LLC (STACK Infrastructure or STACK). The agreements are intended to support the installation of new electric transmission facilities necessary to serve a proposed 90 megawatt (MW) data center project at 2400 Ringwood Avenue in San Jose, California. The estimated cost of the required facilities is \$85.9 million, inclusive of

Income Tax Component of Contribution (ITCC), with project completion anticipated by April 2026.

Project Overview and Justification for Exceptional Treatment

STACK's proposed data center represents a significant new load with continuous 24/7 operations. PG&E states that the project requires a new PG&E-owned Ringwood substation, connected at 115 kilovolt (kV) to PG&E's Newark and Milpitas substations. The scope and nature of the infrastructure needs—especially the transmission-level interconnection and switching station—present unique considerations not fully addressed by standard Electric Rules 2, 15, and 16. These rules normally apply to customers seeking energization at the distribution level.

PG&E therefore seeks Commission approval of these agreements under Electric Rules 2, 15, and 16 with exceptional provisional terms and conditions. The proposed exceptional provisional terms and conditions allow PG&E to (1) perform work on an actual cost basis rather than an estimated cost basis, (2) remove the option for a customer to choose a fifty percent discount in lieu of all refunds, and (3) establish special payment schedules and refund eligibility terms. PG&E asserts that these deviations are justified to reduce financial risk to existing ratepayers and to fairly allocate the costs of large-scale, customer-driven infrastructure upgrades.

Summary of Agreements and Proposed Deviations

The **Agreement to Perform Tariff Schedule Related Work** (Form 62-4527) outlines the scope and cost for the transmission construction activities, including exhibits detailing a preliminary cost estimate, work description, and special terms. This agreement covers potentially refundable costs of about \$50 million. The agreement notes that:

- STACK will not be eligible for the fifty percent discount option typically provided under Electric Rule 15.
- STACK must pay the actual, not estimated, cost of the work.
- Progress billing will be used in lieu of a one-time advance payment.
- Refunds, if any, will be based on electric revenues attributable to STACK and capped at the "refundable amount" defined in the agreement. This follows the standard Base Annual Revenue Calculation (BARC) process defined in Electric Rule 15. After a 10-year period, any outstanding refundable amount would be forfeit.

The **Agreement for Installation or Allocation of Special Facilities** (Form 79-255) covers facilities specifically requested by STACK that exceed PG&E's standard design. These costs will not be refunded and will be subject to ongoing cost-of-ownership charges. As with the primary agreement, work will be performed on an actual cost basis, and STACK will pay according to a project-specific schedule.

Ratepayer Protections and Cost Recovery

PG&E emphasizes that requiring STACK to pay actual project costs mitigates the risk of over- or under-payment for both STACK and existing customers. PG&E also proposes that refunds to STACK will be issued following the BARC methodology under Electric Rule 15, which is based on the revenues a facility generates and an estimate of future expected revenues. Special Facilities costs will not be recovered from other ratepayers.

Under the standard refund process, using the BARC methodology, a customer would provide up-front payments to cover their direct cost of energization. This up-front payment would not cover broader costs of energization, such as upgrades to the broader transmission network also related to other system or customer needs. Once the customer is energized, they would be eligible for a refund of these up-front payments, based on their current load and expected future revenues. In brief, the BARC methodology takes current annual revenues from the customer and assumes those revenues will continue into the future. Then, the BARC methodology calculates an amount of upfront capital costs deemed to be justified, based upon this continuous stream of future revenues. This total amount of capital costs determined through the BARC methodology is called the BARC Formula amount.¹ That full amount of costs can be immediately refunded to the customer. Because many of the specific details of the STACK case are confidential, we use general examples throughout this Resolution to provide clarity without revealing confidential information.

To take a hypothetical example: a transmission customer might provide \$50 million up front to PG&E to cover the direct costs of energization. Once that customer is energized, over its first year it might pay about \$12 million in electric bills to PG&E for energy delivery. Of that \$12 million, about \$5 million would be the net revenue, or the part of the electric bill specifically related to transmission costs and infrastructure. Based on this \$5 million in actual net revenue, the BARC process would allow for an end-of-year refund of about \$46 million (the amount of capital investment deemed justified,

¹ For additional detail on the BARC methodology, including an example, see PG&E Supplemental Testimony Work Paper 1 in A. 24-11-007, submitted March 21, 2025.

assuming the customer's net revenue continues indefinitely into the future at about the same level). The immediate refund could be about nine times larger than the actual net revenues collected from the customer in the first year. The total refund cannot be larger than the \$50 million originally advanced by the customer. In following years, the customer could receive the remaining \$4 million in refunds if its electric bills increase, but no more than this.

As a customer is refunded, the related capital costs are added to PG&E's accounts and ultimately recovered from ratepayers. While this Advice Letter does not request cost recovery authorization, PG&E provides preliminary information regarding jurisdictional cost allocation. PG&E anticipates that most of the new transmission infrastructure will fall under Federal Energy Regulatory Commission (FERC) jurisdiction and be recoverable through PG&E's Transmission Owner (TO) Formula Rate. A small portion of the facilities, including certain interconnection elements, may be subject to CPUC jurisdiction and addressed in future general rate cases or applications.

Rule 30 Application – A. 24-11-007

In A. 24-11-007, the Commission is currently considering a standard rule to address this kind of large-load energization at the transmission level for the PG&E territory. On July 28, 2025, Decision 25-07-039 was issued in that proceeding, partly granting and partly denying PG&E's request for interim implementation of the proposed Rule 30.

NOTICE

Notice of AL 7569-E was made by publication in the Commission's Daily Calendar. Pacific Gas and Electric states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

No protests were filed in response to PG&E's Advice Letter 7569-E. However, a response was submitted on May 8, 2025, by a coalition of seven Community Choice Aggregators (the "Joint CCAs"), consisting of Ava Community Energy, Central Coast Community Energy, Marin Clean Energy, Peninsula Clean Energy, Redwood Coast Energy Authority, San José Clean Energy, and Silicon Valley Clean Energy.

PG&E replied to the Joint CCAs' response on May 15, 2025.

Joint CCAs Response – May 8, 2025

While the Joint CCAs do not oppose the substance of the agreements or request that the Commission modify or reject the Advice Letter, they raised broader concerns about the lack of information-sharing between PG&E and CCAs in cases involving large new transmission-level customer energizations. The Joint CCAs emphasized the need for timely and transparent sharing of system planning data to support their statutory role as default generation providers, particularly in light of their responsibilities for resource adequacy, procurement planning, and decarbonization efforts.

The Joint CCAs raised five key points in their response: (1) PG&E has key system planning information that it is not currently sharing with the relevant CCAs; (2) CCAs serve as default generation providers, and as such require system planning information; (3) confidentiality protections already exist for customer information received by CCAs; (4) failure to share key system data may threaten reliability, unnecessarily increase costs, and raise competitiveness concerns; and finally (5) the Commission should require an integrated approach to this information sharing.

PG&E Reply – May 15, 2025

PG&E replied to the Joint CCA response, noting that the Joint CCAs did not protest the substance of the Advice Letter's request nor suggest any modifications to the proposed Agreements between PG&E and STACK. Further, PG&E argues that the Joint CCAs' concerns are outside the scope of Advice Letter 7569-E, which seeks only approval of two negotiated agreements to facilitate the energization of a new large-load customer. PG&E argued that issues raised by the Joint CCAs are appropriately addressed within the Rule 30 proceeding (A. 24-11-007), where the Commission is already considering CCA access to system planning data.

PG&E nonetheless addressed each of the Joint CCAs' five points, noting that (1) PG&E has shared adequate system planning information data with CCAs; (2) there is no clear precedent or statute that entitles CCAs to data on potential future customers; (3) the data the Joint CCAs are currently seeking is outside the scope of previous decisions on confidentiality; (4) the Joint CCAs do not justify their concerns about reliability and increased costs, and that PG&E's own commercial energy procurement group did not have access to the potential load associated with STACK in advance of the CCAs; and (5) PG&E agrees with the Joint CCAs on an integrated approach to data sharing, but that this Advice Letter is not the correct venue to consider these issues.

DISCUSSION

The Commission has reviewed the Advice Letter, the response submitted by the Joint CCAs, and PG&E's reply. We find that, with modifications, the two agreements proposed by PG&E present reasonable exceptional provisional terms and conditions to facilitate the energization of STACK.

Below, we discuss the following: (1) that it is reasonable to limit annual customer refunds to 75 percent of the annual net revenues received from the customer; (2) that the various terms and conditions in the Agreement to Perform Tariff Schedule Related Work (PG&E Form 62-4527) and the Agreement for the Installation or Allocation of Special Facilities (PG&E Form 79-255) are otherwise reasonable; and (3) that the issues raised by the Joint CCAs will not be addressed in this venue.

The BARC process focuses on the net revenues from a customer.

The standard BARC process, described in the background section above, bases customer refunds on the net revenue rather than the total revenues received from a customer.

The term "net revenues" captures that part of a customer's revenue that corresponds to the infrastructure costs in question. For a customer like STACK, seeking energization at the transmission level, the net revenue refers to the transmission component of a customer's electric bill and the daily charge assigned to each electric meter.

This structure is in place because it recognizes that the various components of a customer's bill correspond to different costs and responsibilities within the larger electric grid system.

For a large-load, transmission-level customer like STACK, for example, a significant majority of revenues from the customer are likely paying the cost of energy generation. These revenues reflect the costs of procuring reliable energy for the customer, and the revenues would go to the Load Serving Entity, which may be a CCA rather than PG&E. These energy generation revenues are differentiated from the revenues that pay costs for energy delivery, which cover transmission and distribution infrastructure. The generation component of a customer's bill should not be considered when evaluating refunds for the transmission infrastructure needed to energize a customer, and as such the BARC process excludes it from consideration.

Revenues from a customer like STACK would also include significant charges for 'Public Purpose Programs' such as the California Alternate Rates for Energy (CARE)

Program. Similar to the above, refunds related to transmission infrastructure should not be based on revenues the customer pays in order to fund the CARE program.

The following discussion of refunds relating to the cost of transmission infrastructure needed to energize a customer therefore focuses on net revenue.

As a large load customer seeking energization at the transmission level, there is a higher cost to energizing STACK, as compared to an average distribution customer. At the same time, unlike an average distribution customer, Data Centers are expected to generate higher revenue on a per customer basis because of significantly larger loads and high load factors.

STACK aims to energize a new 90 megawatt (MW) load, requiring modifications to the transmission network and the construction of a new transmission substation, the Ringwood substation. This includes refundable costs estimated to be about \$50 million.² These costs, once refunded by PG&E, would then be considered capital expenses and recovered from PG&E ratepayers on an amortized basis. The scale of these required upgrades is much larger than is typical for energizing an average distribution-level customer, which typically costs closer to \$120,000.³ However, STACK aims to energize a much larger load than a typical customer. Based on PG&E's workpapers⁴, STACK may operate at an 85 percent load factor. This is significantly higher than a new residential subdivision on the distribution system that is estimated to operate with an approximately 30 percent load factor. A customer with a high load factor and large load could generate significant revenue on an annual basis, though this impact would be reduced if a significant portion of revenue comes from demand rates rather than energy rates.⁵ Overall, energizing STACK both requires significant costs and comes with opportunity for significant revenues. If these revenues are large and consistent enough, they could allow other customers to pay less of PG&E's overall revenue requirement,

² As noted in the background section, the customer advance and related refunds in this case will be based on actual costs, rather than the current cost estimates, and may be smaller or larger than this amount.

³ This approximation was calculated based on PG&E's forecast for New Business costs (MWC 16), which includes installing electric infrastructure to connect new customers to the distribution system or expand service for existing customers. PG&E estimated about \$4.8 billion in costs to cover 38,212 units, i.e. energizations or service expansions. This comes to about \$120,000 typical cost for each unit. Note that this average would include both residential customers and larger commercial and industrial customers, and individual costs may vary significantly. See PG&E's Motion to Revise 2025 and 2026 Energization Cost Caps, filed October 4, 2024 in R. 24-01-018.

⁴ See PG&E Supplemental Testimony Work Paper 1 in A. 24-11-007, submitted March 21, 2025, which assumes an 85% load factor for large loads.

⁵ For large load customers like STACK under the B-20 tariff, most net revenues would come from demand rates rather than energy rates. See Electric Schedule B-20, Sheets 5-6.

lowering rates. If these revenues are small or fail to appear consistently, the costs could fall on ratepayers generally, raising rates.

PG&E proposes refunding the costs of new transmission facilities through the BARC, which is the standard tariff mechanism under Electric Rules 15 and 16. These rules are intended to guide cost responsibility and refunds for distribution-level energization, and they do provide a workable framework for typical customer loads. However, considering the size of the customer project and scope of transmission-level work required to energize the project additional customer protection is necessary to avoid any potential shift in cost responsibility to ratepayers if the anticipated revenue for the project does not materialize.

As noted above, the BARC process provides the refunds based on expected future revenues from the customer, meaning PG&E could refund STACK for the costs of energization well before net revenues from STACK actually cover the upfront costs of energizing them. In a typical distribution setting, this assumption of recovery is sufficient, as (1) projects are much smaller in scale, (2) statistically, with thousands of similar energizations per year, any single customer disconnecting from the grid does not present large risks to ratepayers, and (3) the expectations of future revenue are based on many years of experience with similar customers. By contrast, in the case of STACK, (1) the refundable amount of about \$50 million is much larger, (2) STACK as a customer is both large and unique enough that if sufficient revenue is not generated then it would present risk to ratepayers (in other words, there are not thousands of other similar customers utilizing the same infrastructure enough to balance out STACK's revenue deficit), and (3) expectations of future revenue are uncertain and based on little historical experience.⁶ Together, these differences indicate that the energization of STACK presents a higher risk of stranded costs should revenue not materialize.

Transmission-level customers pay lower electric rates than similar distribution-level customers, since their rates largely exclude distribution grid costs.

PG&E submits an annual summary table of revenues and average rates that provides the average rates paid by large load customers connected both at the distribution and

⁶ See Advice Letter 7569-E at pg. 2 noting the "unique circumstances presented by this request," at pg. 4 noting STACK's energization "entails a substantial scope of work," and at pg. 4 considering the potential inaccuracy of STACK's load projections.

the transmission level.⁷ Excluding the generation component of rates, large load customers in PG&E's territory paid on average 13.4 cents per kilowatt-hour (c/kWh) if connected at the primary distribution level, and 6.0 c/kWh if connected at the transmission level.⁸ An estimated 2.1 c/kWh specifically covers transmission facilities – this effectively makes up the “net revenue.” As noted above, large loads and high load factors mean that electricity bills paid by these customers can still be very large, but this revenue does not materialize if the transmission-level customer's load does not show up on the grid over the long term. Energizing transmission-level customers can require significant new transmission infrastructure, and can depend on larger upgrades to the broader transmission network. Like any customer, STACK will rely on the larger transmission grid, outside of the direct infrastructure needed for its energization. In addition, large loads like STACK often depend on, and sometimes directly trigger, new upgrades to the broader transmission network beyond the direct costs to connect the customer to that network.⁹

As new infrastructure, these investments will also require ongoing operational, maintenance and administrative costs over their lifetimes.

New infrastructure requires additional yearly expenses for operations, maintenance, administration, and other general costs. For the approximately \$50 million indirect, refundable energization costs under discussion here, there may be about \$1.3 million in expenses per year.¹⁰ Upgrades to the broader transmission network, though only related to STACK's energization indirectly, would also create additional yearly expenses.

Based on considerations unique for large load, transmission interconnecting customers, it is reasonable to limit customer refunds to a portion of actual net revenues to reduce risks to ratepayers.

⁷ See the tables submitted in PG&E Advice Letter 7516-E – specifically Appendix 1a, Page 4, column labeled “Revenue At Present.” Note that these tables reflect average revenues divided over total kWh sold, not actual customer rates. https://www.pge.com/tariffs/assets/pdf/adviceletter/ELEC_7516-E.pdf

⁸ A residential customer, for reference, pays about 26.6 c/kWh according to the same table. However, residential and large load rates are not directly comparable as these customer types have significantly different utilization rates and tariffs, with residential customers having lower load factors.

⁹ In the Rule 30 proceeding, A. 24-11-007, this type of broader transmission network upgrade is referred to as ‘Type 4’ Facilities.

¹⁰ Assuming these costs can be approximated at 2.5 percent of the total infrastructure costs, which can be considered a conservative assumption. According to Electric Rule 2, when the utility builds customer-financed transmission-level Special Facilities, PG&E collects a yearly cost of ownership charge equal to 3.72 percent of the total facility cost in order to cover continuing ownership expenses.

It is not reasonable to apply the standard Rule 15 refund process and the BARC methodology to this project without modification. First, as a large load customer connecting at the transmission level, STACK's energization requires higher costs for a new type of customer and comes with more unknowns than for a smaller distribution-level customer. Second, as a transmission-level customer, STACK would pay a lower rate per kWh than a similar distribution-level customer normally covered by the Rule 15 process and may generate lower infrastructure-related revenue, depending on actual customer loading over time, while at the same time contributing to the need for broader transmission network upgrades in the region. Third, while all the infrastructure costs related to energizing STACK are capital expenses, energizing STACK will also lead to additional annual expenses for transmission system operations and maintenance, and STACK as a customer will rely on the broader operations and maintenance of the transmission grid.

Given all of these factors, there should be additional protections to safeguard general ratepayers from assuming the risk of energizing STACK and potentially being left with the costs if STACK's anticipated load and resulting revenue does not materialize. Refunds should be provided only to the extent that actual net revenues cover both the costs of energization and other costs of providing electric service normally covered in those net revenues (i.e., broader grid upgrades and operations and maintenance). In other words, rather than being fully refunded after one year as a customer, based on *expected future* revenues, STACK's refund should be provided in parts, annually, based on a percentage of the actual net revenues and considering other costs normally covered through those transmission rates. Specifically, we find it reasonable to limit annual refunds of the customer advance, which covers the direct costs of STACK's energization, to 75 percent of the net revenues PG&E collects from the customer annually. Not including a portion (25 percent) of the annual net revenues in the annual refund will mean that STACK is refunded only to the extent that actual net revenues cover the direct costs of STACK's energization and partly cover the costs of operation, maintenance, and upgrades of the broader transmission grid that would normally be covered by the transmission component of customer rates.

In short, we find it is reasonable for 25 percent of STACK's net revenue to be held back to account for the costs of the transmission network that are not part of the direct energization of the customer, such as ongoing maintenance and broader grid upgrades. This would lead to a slower refund process, but would not affect the total refund amount.

Based on the modified methodology authorized here, STACK will still have an opportunity to receive a full refund. PG&E should refund STACK 75 percent of its net

annual revenues each year until the full refund amount is reached or until 10 years have passed, at which point the remaining refund shall be forfeited. PG&E should still use other components from the standard Rule 15 process and BARC methodology to calculate the refund due to STACK. For example, if STACK's load decreases such that the standard BARC Formula amount falls below the amount already refunded, no further refund should be provided that year. Based on expected operations, STACK should receive a full refund in about 6 years.

We make one additional modification to the standard BARC process here. Under the standard process, if a customer's expected future net revenues are not enough to justify the costs of their energization, they are charged an additional fee to cover PG&E's cost of ownership. In light of the modifications we adopt here intentionally limiting the annual refund amounts, it is not necessary to impose an additional customer financed cost of ownership on the unrefunded amount.

Finally, we order PG&E to submit a modified agreement with the changes specified herein for approval through a Tier 1 Advice Letter.

The findings and conclusions in this Resolution should in no way prejudice the ongoing deliberation in the Rule 30 proceeding, A. 24-11-007. This Resolution is a response to an exceptional case filing and should not be considered a binding precedent moving forward.

Various other terms and conditions in the agreements were not protested by any party, and are reasonable.

No party protested this Advice Letter, or the two agreements included with it. Although we find that the refund process required modification, as discussed above, we otherwise have no issues with the various terms and conditions set out in the two agreements. This includes: (1) the use of actual cost payments instead of estimated costs, (2) the removal of the fifty percent discount option, and (3) the terms and conditions in the Agreement for Installation or Allocation of Special Facilities.

Issues raised by the Joint CCAs are more appropriately addressed in other venues.

The Commission acknowledges the importance of enhanced coordination and information-sharing between investor-owned utilities (IOUs) and CCAs. However, the Joint CCAs neither oppose the substance of AL 7569-E, nor request that the Commission modify or reject it. Their concerns relate primarily to broader policy questions regarding access to customer-specific data and system planning forecasts—issues currently being

examined in PG&E's pending Electric Rule 30 application, A.24-11-007. This Resolution is not the appropriate venue for addressing these broader issues.

COMMENTS

~~Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.~~

~~The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today. This Resolution was mailed on September 25, 2025. Comments were timely filed on or before October 15, 2025 by Cal Advocates, Pacific Gas and Electric (PG&E), and STACK Infrastructure, LLC, the owner of SVY01PG&E, LLC, the entity that executed the two agreements under consideration here (STACK or STACK Infrastructure). We discuss each of these comments in turn below.~~

Cal Advocates

~~Cal Advocates supports the modifications proposed in this Resolution that limit refunds to 75 percent of net revenue from STACK Infrastructure. Cal Advocates argues that the limitation is reasonable and necessary, and without the modification ratepayers would be subject to unreasonable risks.¹¹ Cal Advocates also notes that the Resolution "rightly concludes that STACK's large load, high interconnection costs, and uncertain future revenues present unique risks to ratepayers, compared to a typical distribution-level customer, and that these risks justify an alternative to PG&E's distribution-level refund process."¹² Limiting annual refunds to 75 percent of annual net revenues does not eliminate all potential ratepayer risk, Cal Advocates notes, but it is an effective safeguard against unreasonable cost shifts.~~

~~Cal Advocates also recommended two clarifications to the Resolution. First, Cal Advocates recommends modifying Ordering Paragraph 3 to explicitly state that the~~

¹¹ Cal Advocates Comments at p. 2.

¹² Cal Advocates Comments at p. 2.

annual refunds be limited to 75 percent of the *annual* net revenue. We accept this clarification as it follows the intent of the Resolution and better corresponds to language already included in the Discussion section above. Second, Cal Advocates asks for clarifications of how the BARC process should be applied in this case, regarding (1) year-to-year changes in the BARC Formula amount,¹³ and (2) changes in transmission rates paid by the customer. As noted above, the BARC Formula amount corresponds to the total amount of capital costs determined to be justified through the BARC methodology, based on the assumption that the current net revenues from a customer will continue indefinitely into the future. As any customer ramps up to their full load, the BARC Formula amount will increase, corresponding to increases in yearly net revenues. After the full load is reached, the BARC Formula amount should remain relatively consistent. While the total BARC Formula amount corresponds to total justified capital expenditures, year-to-year changes in the BARC Formula amount do not. As such, year-to-year changes in the BARC Formula amount should not be used to further limit or effect annual refunds. Changes in the transmission rates paid by STACK Infrastructure, on the other hand, would affect net revenues, and would thus be accounted for in the modified BARC process proposed in this Resolution. If a customer pays more in net revenues, it is reasonable that they would see a faster refund. We see no reason to further limit refunds to be based on the transmission rate effective at the time of approval, as suggested by Cal Advocates. Neither of these clarifications require any changes to the Resolution, as originally drafted.

Cal Advocates also raises the issue of the broader transmission system costs related to connecting STACK Infrastructure to the transmission grid. Specifically, Cal Advocates asks that the Resolution more explicitly specify the cost of upgrades to the broader transmission network, noting that these upgrades often total tens or hundreds of millions of dollars and citing to the 2024-2025 California Independent System Operator (CAISO) Transmission Plan.¹⁴ In the 2024-25 CAISO Transmission Plan, the CAISO determines that the transmission system in the South Bay, where customer STACK Infrastructure is seeking energization, requires upgrades due to significant load growth in the region, including data centers.¹⁵ The plan proposes a South Bay Reinforcement Project in response to these needs, which includes multiple upgrades directly linked to the Ringwood substation constructed to serve STACK Infrastructure, as well as broader upgrades in the South Bay region. The entire South Bay Reinforcement Project is

¹³ Cal Advocates Comments at p. 4-5. Cal Advocates refers to the “BARC Threshold” in their comments, but we use the term “BARC Formula amount” to remain consistent with the discussion section above.

¹⁴ Cal Advocates Comments at p. 5.

¹⁵ CAISO, 2024-2025 Transmission Plan at p. 74. See <https://www.caiso.com/documents/iso-board-approved-2024-2025-transmission-plan.pdf>

estimated to cost \$217-434 million.¹⁶ In addition, the 2024-25 CAISO Transmission Plan notes that the Greater Bay Area will require transmission system upgrades to meet anticipated load growth, again including data centers. This includes a new 500 kilovolt transmission line into the region, estimated to cost \$500-700 million, and a new high-voltage transformer bank at the Metcalf substation, estimated to cost \$91-182 million.¹⁷ These upgrades will serve many new loads seeking energization in the South Bay and in the Greater Bay area, including STACK Infrastructure.

Finally, Cal Advocates references the related PG&E Tier 3 Advice Letter 7653-E, which seeks approval for an Engineering, Procurement, and Construction (EPC) agreement between PG&E and STACK Infrastructure to complete some of the work described in this Resolution. Cal Advocates requests clarification that issues related to AL 7653-E can be addressed in a subsequent resolution. We note that the Advice Letter is Tier 3 and thus will require a subsequent Resolution, where issues with the EPC agreement can be addressed.

Pacific Gas and Electric

In its comments, PG&E argues against limiting annual refunds to 75 percent of the annual net revenues from STACK Infrastructure, as proposed in this Resolution. PG&E argues (1) that this represents an unnecessary departure from precedent, (2) that the standard BARC process already includes ample protection for ratepayers, and (3) that the proposed 75 percent refund limit may defer data center development and chill future investment. In the case that the Commission decides to move forward with limiting annual refunds to a portion of annual net revenues, PG&E argues for three modifications: (1) limiting refunds to 100 percent of annual net revenues, rather than 75 percent, (2) increasing the annual refund limit corresponding to the Income Tax Component of Contribution (ITCC), and (3) extending the refund period to 15 years. First, we will address PG&E's arguments against the modified BARC process proposed here, and then we will address its suggested modifications.

In Advice Letter 7569-E, approved with modification here, PG&E proposes exceptional provisional terms and conditions based on Electric Rules 2, 15 and 16. The nature of an exceptional case submittal acknowledges that there is no standard tariff or rule determining how to proceed in this case. As PG&E notes, the exceptional case filing is

¹⁶ CAISO, 2024-2025 Transmission Plan at p. 75.

¹⁷ CAISO, 2024-2025 Transmission Plan at p. 69-72.

necessary “to address the unique circumstances presented by this request.”¹⁸ In the Discussion section above, we found that the energization of STACK Infrastructure presents unique risks to ratepayers due to STACK’s large load, high energization costs, and uncertain future revenues. The Resolution proposes a simple modification to the proposed BARC process in response to these unique risks posed to ratepayers: limiting annual refunds to 75 percent of the annual net revenues received from the customer. We do not agree that this represents a departure from precedent, as (1) this is an exceptional case filing and the Commission’s decisions on such filings by definition do not have binding precedents and (2) the proposed modification is relatively simple and corresponds to the preexisting logic of basing refunds on net revenues. We also disagree with PG&E’s claim that this is an unnecessary modification. Given the unique risks posed to ratepayers in this case, we consider it necessary to provide additional ratepayer protections.

PG&E argues that the standard BARC process already includes ample protection for ratepayers. They cite two protections specifically: (1) That the BARC process already bases refunds on the net revenues received through the actual kilowatt (kW) demand from STACK, and (2) that the BARC process includes additional cost of ownership fees to the extent STACK does not receive their full refund in its first year of operation. The first protection has already been addressed throughout this Resolution: the BARC process does base refunds on net revenues, but it assumes that those revenues will continue indefinitely into the future and thus provides a refund amount much larger than the actual net revenues collected. PG&E understands this, and writes in their Comments that “the risk here, per the Draft Resolution, is that if STACK’s load tails off in later years, STACK’s refund might be disproportionate with the revenue PG&E derives from their load.”¹⁹ Despite noting this risk, PG&E makes no argument that any ratepayer protections in the existing BARC process specifically address or mitigate this risk. The second protection cited by PG&E, the levying of cost of ownership fees, specifically applies to the case where the customer does not receive a full refund at the end of the first year after PG&E is ready to serve.²⁰ It in no way addresses the risk of a customer receiving a full refund, and then having their load tail off in later years. Again, given the unique risks presented to ratepayers in this case, and that no existing

¹⁸ PG&E Advice Letter 7569-e at p. 2.

¹⁹ PG&E Comments at p. 5.

²⁰ See Electric Rule 15.E.4.

protections in the BARC process respond to these risks, we consider it necessary to provide additional ratepayer protections.

Finally, PG&E argues that extending the period during which the refund amount is repaid impairs STACK's ability to invest in future projects and essentially requires STACK to provide an interest-free loan to cover infrastructure costs needed for its direct energization. PG&E adds that this change of terms occurring less than a year before the project is scheduled to be operational, in April 2026, harms STACK's business and may more broadly discourage investment in data centers in the state. First, we note here that the Advice Letter addressed in this Resolution, AL 7569-E, was filed by PG&E on April 18, 2025. Given the timeline of the project and the date of the filing, any change made by the Commission would necessarily occur within a year of April 2026. In this case, the Commission determined that the proposed terms between PG&E and STACK Infrastructure present unreasonable risks to ratepayers, and these terms needed modification to add ratepayer protections. This decision was not made with the intention of encouraging or discouraging data center investment in the state, but in the interest of protecting ratepayers broadly from the risks of stranded costs and higher bills. We note that there are many ways to encourage data center development without requiring electric ratepayers to bear the risks associated with that development.

In its comments, PG&E proposes three modifications to the Resolution in the case that the Commission chooses not to return to the terms originally proposed by PG&E and STACK Infrastructure: (1) limiting refunds to 100 percent of annual net revenues, rather than 75 percent, (2) increasing the annual refund limit corresponding to the ITCC, and (3) extending the refund period to 15 years.

We choose not to adopt PG&E's first recommendation to raise the 75 percent limit on annual refunds. PG&E does not address the fact that a portion of the net revenue from STACK Infrastructure should correspond to upgrades to the broader transmission grid (i.e., Facility Type 4) and the operations and maintenance of that grid. Normally, any customer's transmission revenue would correspond, in part, to these costs. Like any customer, STACK Infrastructure relies on the broader grid. As a new, large-load customer it contributes to the need for upgrades to the broader grid. The 75 percent limit reflects this reality, and thus appropriately limits risks for ratepayers. Additionally, once STACK's refund is complete, 100 percent of STACK's revenue will contribute to shared costs, including Facility Type 4 costs.

We choose to adopt PG&E's second recommendation to increase the annual refund limit corresponding to the ITCC. We note that, even without this modification, the ITCC is already included in the refund calculation as part of the total refund amount that

would be due to STACK Infrastructure. We find it reasonable to also include an ITCC adjustment when calculating the annual refunds based on annual net revenues. Because the ITCC does not reflect direct infrastructure costs required to energize STACK Infrastructure, it is reasonable to provide the refund related to the ITCC as an additional adjustment to the 75 percent limit, as suggested by PG&E. This would multiply the annual refund limit by (1 + ITCC), effectively raising the annual refund limit and reducing the time until STACK Infrastructure receives a full refund.

We also choose to adopt PG&E's recommended extension of the refund period to 15 years. We note that the standard BARC process, as well as the terms originally agreed to by PG&E and STACK, already include a risk that STACK or any customer might not receive its full refund if it does not ramp up to sufficiently high load during the 10-year refund period. As we note above, the modifications here are expected to lead to a full refund for STACK Infrastructure in 6 years or fewer with the addition of the ITCC, well within this 10-year refund period. We disagree with PG&E that "if STACK's ramp up to full utilization is even slightly delayed, STACK is at risk of not receiving a full refund before the 10-year cap elapses."²¹ However, limiting annual refunds to annual net revenues does increase the risk that STACK Infrastructure does not receive a full refund within 10 years, and we find it reasonable to mitigate this risk by extending the refund period to 15 years. Even with a 15-year refund period, the total refund cannot be more than STACK Infrastructure's initial advance.

STACK Infrastructure

In its comments, STACK Infrastructure argues against limiting refunds to 75 percent of the net revenues PG&E would receive from them as a customer. STACK argues (1) that this limitation of refunds amounts to a retroactive change to tariffs and rules, and as such should not occur, (2) that the refund limitation does not give STACK interest on its advance, and prevents STACK from re-deploying that capital into other projects, (3) that the modifications puts STACK at risk of never recovering its full refund, (4) that the Ringwood substation should count as a broader transmission network upgrade benefitting all customers, and as such STACK is already supporting customers by advancing the cost to construct it, (5) that the refund methodology cannot be justified in light of Federal Energy Regulatory Commission (FERC) rules. More broadly, STACK claims that the modified BARC methodology proposed here "fundamentally thwarts the settled commercial expectations of the parties and fundamentally alters the

²¹ PG&E Comments at p. 7.

economics of the agreements”²² due to the lack of interest payments, inability to redeploy capital, and the risk of not receiving a full refund.

As we already noted in the section on PG&E’s comments above, there are not existing tariffs and rules that directly apply to the energization of STACK Infrastructure. Advice Letter 7569-E is an exceptional case filing for this reason. The modifications proposed here cannot be a retroactive change to tariffs and rules, as STACK claims, because established tariffs and rules for this energization type do not yet exist. As STACK Infrastructure itself notes, a standard rule for large load, transmission level customers remains pending in the Rule 30 Proceeding.

STACK’s claim that the proposed modifications do not provide it with interest payments on its advance, and may delay its ability to reinvest its capital, are correct but not caused by the modifications proposed in this Resolution. In both the standard BARC process and the modified process proposed here, the customer must provide a capital advance, which is later refunded without interest based on the actual net revenues received from that customer. In both cases, the customer cannot reinvest this advance, as it is held by PG&E. The basic dynamics of the BARC process are not changed here, but STACK’s large load, high interconnection costs, and uncertain future revenues present unique risks to ratepayers. To mitigate those risks, we limited annual refunds to 75 percent of the net revenues from STACK Infrastructure, effectively extending the refund period, or the period where STACK’s advance remains in part with PG&E.

Energizing a new 90 megawatt load requires significant investment under most circumstances, and the standard BARC process already makes STACK Infrastructure initially responsible for the direct investments required for its own energization. The standard BARC process takes the customer’s net revenue and projects it indefinitely into the future. To the extent those projections justify the direct costs of the customer’s energization, PG&E would take on these costs, adding them to its rate base where the costs would be covered by ratepayers and generate returns for shareholders. In this Resolution, we are simply recognizing the unique risks for ratepayers in this exceptional case, and thus requiring clearer proof that the investments needed to energize a customer are justified before that customer is refunded and the costs are added to PG&E’s rate base. By necessity, this also means that STACK remains responsible for the investments needed for its direct energization over a longer period, and thus may not be able to reinvest its capital as quickly. We note here that ratepayers still bear a share of the risk, because upgrades needed to the broader transmission grid

²² STACK Infrastructure Comments at p. 7.

are not covered by any customer advance, and go directly into PG&E's rate base. The standard BARC process also already includes a risk that the customer may not receive a full refund, as we noted above. In this case, STACK is expected to receive a full refund in 6 years or fewer with the addition of the ITCC, well within both the standard 10-year and the extended 15-year refund period.²³

In short, limiting annual refunds to 75 percent of the annual net revenues from STACK Infrastructure does not represent a fundamental shift in the proposed BARC process. The exceptional case considered here poses unique risks to ratepayers, and in response to those risks we consider it necessary to provide additional ratepayer protection via limiting the amount of annual refunds. This means that STACK Infrastructure ends up bearing some of the risks for its own energization longer than it would under the standard BARC process, but it does not fundamentally break from the standard BARC process.

In its comments, STACK Infrastructure also claims that the 115kV Ringwood switching substation required to serve STACK Infrastructure "should properly be viewed as a transmission network upgrade" assumed to benefit all transmission customers.²⁴ This would correspond to a 'Facility Type 4' in the ongoing Rule 30 Proceeding, it notes. Based on this claim, STACK argues that its choice to fund and arrange for the construction of the Ringwood substation already benefits ratepayers and should be treated as such. We do not agree that Ringwood should be considered a broader transmission network upgrade to benefit all customers, and neither does PG&E in its comments.²⁵ STACK Infrastructure also selectively cites the CAISO 2024-25 Transmission Plan in its comments.²⁶ As we noted in the section on Cal Advocates comments above, there are multiple upgrades to the broader transmission network specifically intended to provide additional transmission capacity in the South Bay and Greater Bay Area, thus benefiting STACK Infrastructure as well as transmission customers more broadly. Given the questionable claim that Ringwood substation is a broader transmission network upgrade, and the selective citation to the CAISO

²³ In its comments, STACK Infrastructure itself notes that its data center is "fully leased through 2043," and that nothing in the record suggests anything other than it being immediately used and useful. STACK Infrastructure Comments at p. 3 and p. 10.

²⁴ STACK Infrastructure Comments at p. 9.

²⁵ PG&E Comments at p. 4.

²⁶ STACK Infrastructure Comments at p. 3 and p. 9.

Transmission Plan that ignores other relevant upgrades, STACK Infrastructure's arguments here do not bear weight.

In its comments, STACK also claims that limiting annual refunds to 75 percent of annual net revenues is at odds with the FERC interconnection rules. However, we are considering STACK Infrastructure in this context as a retail customer of PG&E. STACK Infrastructure, at least in this case, is not a transmission owner, operator, generator, or utility that may be subject to FERC infrastructure cost recovery rules.

Finally, STACK Infrastructure requests that – if the Commission does decide to move forward with limiting annual refunds to 75 percent of annual net revenues – the Commission also include a potential reopener to the Agreements approved here after the conclusion of the Rule 30 Proceeding. We note that Decision (D.) 25-07-039 in the Rule 30 Proceeding already approved an interim implementation process that allows large load customers to seek immediate energization using an interim process while certain cost allocation issues are subject to the final outcome of the Rule 30 Proceeding, and final approval of this interim process is currently under consideration in Advice Letter 7671-E.²⁷ In short, the Commission has already made a decision on a pathway for customers to align the terms of their energization with the eventual results of the Rule 30 Proceeding. Allowing customers to achieve a similar result through a separate process with different requirements and guarantees is not necessary, and may be inconsistent with Commission D.25-07-039.

However, we note that there is no prohibition against PG&E and STACK Infrastructure negotiating a new tariff deviation agreement and submitting it for approval via the same process pursued here, according to General Order 96-B, after there has been a final decision in the Rule 30 Proceeding.

FINDINGS AND CONCLUSIONS

1. No party protested this Advice Letter, or objected to the use of actual cost payments, the removal of the fifty percent discount option, or the Agreement for the Installation of Allocation of Special Facilities.

²⁷ We note that D.25-07-039, Ordering Paragraph 5 states : "Agreements approved via the Tier 2 Advice Letter process during this interim period, pursuant to this decision, will remain unchanged for those specific contracts, even if Electric Rule 30 is later modified, excluding any future determinations of the deferred issues mentioned in Ordering Paragraph 1."

2. The scale of required upgrades for large load customers seeking transmission-level energization is much larger than would be typical for a distribution-level customer, and these customers present novel risks of substantial stranded costs.
3. As a transmission-level customer, STACK pays lower electric rates than a large load customer connected at the distribution-level and normally covered by the Rule 15 process, while at the same time contributing to the need for broader transmission network upgrades in the region.
4. Like all customers, STACK relies on the continued operation and maintenance of existing transmission infrastructure.
5. It is reasonable to focus on a customer's net revenue when considering the refunds relating to the cost of transmission infrastructure needed to energize that customer.
6. Under the proposed process for customer refunds, PG&E could refund STACK for the costs of energization well before net revenues from STACK actually cover those costs.
7. Differences in electric rates and the scale and type of energization costs for large load transmission-level customers justify additional safeguards to protect general ratepayers from assuming the risk of energizing these customers.
8. Given differences in electric rates and the scale and type of energization costs for large load transmission-level customers, it is reasonable to limit refunds for energization costs to 75 percent of the actual net revenues received from these customers.
9. Given these modifications to the standard BARC process, it is also reasonable to disregard the customer financed cost of ownership in this case.
10. Given these modifications to the standard BARC process, it is also reasonable to extend the refund period from 10 to 15 total years.
- ~~10.~~11. It is reasonable for PG&E to submit a modified agreement with the changes specified herein for approval through a Tier 1 Advice Letter.
- ~~11.~~12. The findings and conclusions in this Resolution should in no way prejudice the ongoing deliberation in the Rule 30 proceeding, A. 24-11-007.
- ~~12.~~13. This Resolution is not the appropriate venue for addressing broader issues around Community Choice Aggregators' access to customer-specific data.

THEREFORE IT IS ORDERED THAT:

1. The request of Pacific Gas and Electric (PG&E) to approve the Agreement for Installation or Allocation of Special Facilities between itself and customer STACK Infrastructure as requested in Advice Letter 7569-E is approved without modification.

2. The request of PG&E to approve the Agreement to Perform Tariff Schedule Related Work between itself and customer STACK Infrastructure as requested in Advice Letter 7569-E is approved with the modifications set forth above and otherwise specified herein.
3. PG&E shall modify the refund process in the Agreement to Perform Tariff Schedule Related Work to limit annual refunds to STACK Infrastructure to 75 percent of the annual net revenues PG&E ~~has~~ collected from ~~them~~. STACK Infrastructure in that year, adjusting for the Income Tax Component of Contribution (ITCC). In this case, the term 'net revenues' refers to the transmission component of the customer's electric rates and the per meter customer charge. PG&E shall also extend the period when STACK Infrastructure is eligible to receive a refund from 10 to 15 years.
4. PG&E may seek approval for the modified Agreement to Perform Tariff Schedule Related Work through a Tier 1 Advice Letter.

This Resolution is effective today.

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 30, 2024; the following Commissioners voting favorably thereon:

Commissioner Signature blocks to be added
upon adoption of the resolution

Dated October 30, 2025, at Sacramento, California