
PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

September 26, 2025

Agenda ID #23772
Ratesetting**TO PARTIES OF RECORD IN PETITION 21-07-012:**

~~This is the proposed decision of Administrative Law Judge Rafael Lirig. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's October 30, 2025 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.~~

~~Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.~~

~~The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).~~

~~—/s/— MICHELLE COOKE~~

~~Michelle Cooke~~

~~Chief Administrative Law Judge~~

MLC:cmf

ALJ/RL8/cmf

PROPOSED DECISION

Agenda ID #23772 [\(Rev. 1\)](#)

Ratesetting

[10/30/2025 Item #14](#)

Decision **PROPOSED DECISION OF ALJ LIRAG** (Mailed 9/26/2025)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Petition of the City and County of San
Francisco for a Valuation of Certain
Pacific Gas & Electric Company
Property Pursuant to Public Utilities
Code Sections 1401-1421.

Petition 21-07-012

~~ERROR! NOT A VALID BOOKMARK SELF-REFERENCE.~~ **DECISION**
ESTABLISHING METHODS AND STANDARDS FOR JUST COMPENSATION
AND VALUATION

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DECISION ESTABLISHING METHODS AND STANDARDS FOR JUST COMPENSATION AND VALUATION

Summary

Today's decision adopts standards of just compensation that are applicable to this proceeding.

Parties recommended and thereafter submitted briefings on the applicable standards for determining just compensation. A Staff Proposal that proposed guiding principles, procedures, and a methodological framework for determining just compensation was issued for comment.

Parties generally agree with the ~~policy and legal~~ objectives in the Staff Proposal and after a thorough review of party comments and the record of the proceeding, this decision adopts the following principles of just compensation: (a) Pacific Gas and Electric Company's (PG&E) ~~shareholders~~investors are made whole and remaining customers are ~~made whole~~left neutral to the potential acquisition; (b) the City and County of San Francisco's possible condemnation of PG&E's property in and around San Francisco constitutes a partial taking; and (c) PG&E may be entitled to business and physical severance damages.

Parties generally agree that the "before and after rule" is the appropriate framework for determining just compensation although parties differ on the definition of the "before" property. This decision allows parties to present testimony that supports their respective definitions.

The decision does not select a specific valuation method that should be applied and requires parties to submit valuations using the sales comparison approach, income approach, and cost approach.

Finally, the decision provides guidelines for party testimony.

The proceeding remains open.

1. Procedural Background

On July 27, 2021, the City and County of San Francisco (CCSF) filed this Petition pursuant to Public Utilities (Pub. Util.) Code Sections (§§) 1401-1421 requesting valuation of property owned by Pacific Gas and Electric Company (PG&E) that is used to provide electric service to customers in San Francisco. CCSF expressed the intent to acquire said property pursuant to Pub Util. Code § 1403.

On September 2, 2021, a motion for party status was filed by the Public Advocates Office (Cal Advocates). The motion was granted on September 7, 2021.

On September 14, 2021, PG&E filed a motion for the Commission to exercise discretion to decline to entertain the Petition. CCSF filed a Response on October 1, 2021 opposing PG&E's motion. The Coalition of California Utility Employees (CUE) filed a Response on the same day supporting PG&E's motion. PG&E filed a Reply on October 11, 2021. This motion is currently pending review.

On September 29, 2021, CUE filed a motion for party status. This motion was granted on the same day.

On October 28, 2021, the Commission issued an Order to Show Cause pursuant to § 1405 of the Pub. Util. Code directing PG&E to appear before the Commission and to show cause, if it has any, why the Commission should not proceed to hear the petition.

Prehearing conference statements were filed by PG&E and CCSF on December 7, 2021.

On December 14, 2021, a prehearing conference (PHC) via WebEx was held to gather information about the scope, schedule, and other procedural

matters. PG&E's presence at the PHC and participation in discussions of proposed issues constitutes compliance with the October 28, 2021, Order to Show Cause. At the PHC, discussions also occurred concerning costs relating to this proceeding that the Commission may incur pursuant to Pub. Util. Code § 1409.

On June 24, 2022, the assigned Commissioner issued a Scoping Memorandum and Ruling (Scoping Memo) setting forth the issues and the schedule of the proceeding.

The Scoping Memo also directed parties to file briefs on Pub. Util. Code § 851. Opening Briefs were filed by CUE, CCSF, and PG&E on August 23, 2022. Reply Briefs were filed by the same three parties on September 13, 2022. CCSF's Reply Brief included an allegation that PG&E committed a violation of Rule 1.1 of the Commission's Rules of Practice and Procedure (Rules).

On August 24, 2022, PG&E filed a Motion to Dismiss or Stay the Petition as premature. CCSF and CUE filed Responses to PG&E's motion on September 7, 2022. PG&E filed a Reply on September 19, 2022. This motion is currently pending review.

On September 13, 2022, CCSF filed a Motion for Official Notice of specified records. The motion was granted in the Administrative Law Judge Ruling (ALJ) on October 18, 2022.

On September 28, 2022, CUE filed a Motion for Leave to File a Response to the Rule 1.1 allegation made by CCSF in its September 13, 2022, Reply Brief. CCSF filed a Response on October 13, 2022. CUE's motion was granted in the ALJ Ruling on October 17, 2022, and CUE filed the Response on October 24, 2022. CCSF filed a Reply to CUE's Response on November 3, 2022.

On September 29, 2022, PG&E filed a Motion for Leave to File a Response to CCSF's characterization of legislative history made by CCSF in its September

13, 2022, Reply Brief to the Pub. Util. Code § 851 issue. CCSF filed a Response on October 13, 2022. PG&E's motion was granted in the ALJ Ruling on October 17, 2024, and PG&E filed the requested Response on October 24, 2022. CCSF filed a Reply on November 3, 2022.

On October 21, 2022, CCSF and PG&E filed a Joint Motion to Amend the Schedule of the proceeding. The Joint Motion was granted in the ALJ Ruling on November 8, 2022. The November 8, 2022, Ruling also directed parties to file legal briefs on Standards for Just Compensation. Opening Briefs on Standards for Just Compensation were filed by CCSF and PG&E on January 17, 2023. Reply Briefs were filed by the same two parties on January 31, 2023.

On April 5, 2023, PG&E filed a Motion to Establish a Memorandum Account to track costs. Responses were filed by CCSF, CUE, and Cal Advocates on May 5, 2023. PG&E filed a Reply on May 25, 2023. The motion was denied by the ALJ Ruling on September 6, 2024.

On June 2, 2023, PG&E filed a Motion to Dismiss or Stay the Proceeding due to insufficiency of CCSF's testimony. Responses were filed by CCSF and CUE on June 29, 2023. PG&E filed a Reply on July 17, 2023. This motion is currently pending review.

Also on June 2, 2023, PG&E filed a Motion to Compel CCSF to provide responses to data requests. CCSF filed a Response opposing the motion on June 29, 2023. PG&E filed a Reply on July 17, 2023. The motion was granted in part in the ALJ Ruling on October 28, 2024.

On July 17, 2023, PG&E filed a Motion for Official Notice of specified documents. CCSF filed a Response on August 1, 2023. PG&E's motion was granted in the ALJ Ruling on April 21, 2025.

On September 6, 2023, PG&E filed a second Motion to Compel responses to data requests. CCSF filed a Response opposing the motion on September 22, 2023. PG&E filed a Reply on October 13, 2023. The motion was granted in part in the ALJ Ruling on October 28, 2024.

A status conference was held on September 8, 2023.

A workshop was held on October 5, 2023 and a Joint Report regarding the workshop was filed by CCSF and PG&E on December 12, 2023.

On December 22, 2023, an Amended Scoping Memo was issued revising the schedule of the proceeding due to additional issues and filings not contemplated in the original Scoping Memo.

On March 27, 2024, the assigned ALJ issued a ruling soliciting comments on a Staff Proposal concerning Standards for Just Compensation. Opening Comments were filed on May 13, 2024 by PG&E, CUE, and CCSF. Reply Comments were filed on June 4, 2024 by CUE, CCSF, and PG&E.

On June 4, 2024, Motions for Party Status were filed by Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E). The motions were granted on June 5, 2024. SCE and SDG&E also filed Joint Reply Comments regarding the Staff Proposal on the Standards for Just Compensation.

On November 13, 2024, CCSF filed a Motion to Compel Discovery. PG&E filed a Response on November 25, 2024. CCSF filed a Reply on December 5, 2024. This motion is currently pending review.

On January 24, 2025, the assigned ALJ issued a ruling requesting comments and responses to questions and any proposed revisions to the schedule of the proceeding.

Comments to the January 24, 2025 ALJ Ruling were filed on February 24, 2025 by CCSF, CUE, SCE and SDG&E, and PG&E. Reply Comments were filed on March 27, 2025 by PG&E, SCE and SDG&E, and CCSF.

On July 1, 2025, the assigned Commissioner issued an Amended Scoping Memo revising the schedule for the proceeding.

On August 21, 2025, PG&E filed a Motion to Enforce the October 2024 Order of the ALJ and another Motion to Compel CCSF to provide further responses to data requests sets 8, 9, and 10. [CCSF filed a Response on September 9, 2025. PG&E filed a Reply on September 19, 2025.](#) These [two](#) motions are currently pending.

2. Issues

As set forth in the assigned Commissioner's June 24, 2022 Scoping Memo, the issues in this proceeding include:¹

1. The amount of just compensation that CCSF should pay to acquire the assets of PG&E that are used to provide electric service to San Francisco customers;
2. The list of assets that should be acquired;
3. The valuation method that should be used to determine the amount of just compensation;
4. Additional costs, if any, that the CCSF should pay other than asset costs; and
5. Whether severance damages should be paid pursuant to Pub. Util. Code § 1411 and the amount thereof.²

Based on the above list of issues, the topics discussed in the Staff Proposal on Standards for Just Compensation are within the scope of the proceeding.

¹ The full list of issues is set forth in the Scoping Memo at 3 to 4.

² Section 1411 states, "If the commission finds that severance damages should be paid, the just compensation for such damages shall be found and stated separately."

3. Staff Proposal on Standards and Methods for Just Compensation

On October 21, 2022, CCSF and PG&E recommended that the Commission receive briefing on the applicable standards for determining just compensation as a framework for reviewing parties' testimony.³ The assigned ALJ agreed⁴ and CCSF and PG&E filed separate briefs on January 12, 2023, on their views concerning the standards for just compensation applicable in this proceeding. Both parties also filed reply briefs on January 31, 2023.

Subsequently, on March 27, 2024, the assigned ALJ issued a ruling soliciting comments on an attached Staff Proposal on Standards for Just Compensation in P.21-07-012.⁵ The Staff Proposal proposed guiding principles, procedures, and a methodological framework for determining just compensation to ensure that PG&E's investors and remaining customers are made whole. The proposed standards and procedures are summarized in the subsections below.

3.1. Standards for Just Compensation

The Staff Proposal provides three principles of just compensation:

- a. The policy and legal objectives of the Commission in determining just compensation are to make PG&E's shareholders and remaining customers whole, which means neither to overcompensate nor undercompensate PG&E's investors nor to raise nor lower remaining customer rates and to maintain the same level of safety, reliability, wildfire mitigation, public benefits, etc. for PG&E's remaining customers after the taking.

³ See October 21, 2022 Joint Motion by CCSF and PG&E at 3.

⁴ The ALJ Ruling on November 8, 2022 directed parties to file briefs on the standards for just compensation.

⁵ See ALJ ruling dated March 27, 2024. The Staff Proposal is included as Attachment "A" to the ruling.

- b. CCSF's condemnation of PG&E's property in and around San Francisco constitutes a partial taking.
- c. PG&E, as the property owner with assets dedicated to serving customers as a public utility, may be entitled to business and physical severance damages.

3.2. Appraisal Methodologies

The Staff Proposal presents the following three recognized approaches to valuing property and proposes how these approaches should be applied.

- a. **The sales comparison approach:** Market value is estimated by comparing sales of similar properties and adjusting for major differences. The application of this approach is to derive market multiples from publicly traded peer companies and from mergers and acquisitions analysis. The reliability of this approach largely depends on the availability and comparability of the sales data.
- b. **The income approach:** This approach is most widely used for income producing properties. The preferred technique is discounted cash flow analysis (DCF), where revenues, operating expenses, and capital expenditures are projected over several years to arrive at a projection of free cash flows. The projected future free cash flows are then discounted to their present value at a market-derived discount rate.
- c. **The cost approach:** This approach is most relevant for unique properties. The approach involves estimating the replacement cost new (RCN) of the property and deducting all forms of accrued depreciation (RCN less depreciation or RCNLD). The Staff Proposal states that the cost approach is applicable to this proceeding in estimating the value of the part taken. However, RCNLD alone will not include business severance damages. Thus, if RCNLD is used for the whole and the remaining PG&E system after

the taking, then business severance damages would need to be calculated separately.⁶

3.3. Methodology and Procedures for Determination of Just Compensation

The Staff Proposal recommends the “before and after rule” as the appropriate valuation procedure to be applied in the determination of the just compensation for a partial taking. As defined in the Staff Proposal, the procedure measures the difference between the value of the whole property before the taking and the value of the remaining property after the taking. The Staff Proposal defines PG&E’s Electric Utility System (EUS) as PG&E’s whole property.

The Staff Proposal provides the following steps from which to determine just compensation.

Total just compensation (G) = Appraised value of CCSF property and assets⁷ (D)
+ Business severance damages (E) + Physical separation costs (F)

Where (E) = Total value of part taken⁸ (C) – Appraised value of CCSF property and assets (D)

Where (C) = Value of the whole EUS before taking (A) – Value of the remaining EUS after taking (B)

The Staff Proposal states that the estimated costs of separation of the part taken from the remainder of the system are needed. The Staff Proposal would require CCSF to identify all the assets, property, and customers that it is taking in

⁶ Administrative Law Judge Ruling Soliciting Comments, March 27, 2024, Attachment A “Staff Proposal” at 12 to 13.

⁷ This is the appraised value of property and assets proposed to be taken by CCSF.

⁸ This is the diminution in value of PG&E’s system due to partial taking. This value includes both the value of the property and assets taken and business severance damages to the remainder.

a separation plan. The separation plan would include details of the separation from itemized infrastructure and the timeline for each separation.⁹

The Staff Proposal proposes the following steps for valuation of just compensation:

1. Apply and reconcile the income approach and the sales comparison approach to value the PG&E EUS before and after the taking;
2. Apply all applicable approaches to value the assets, properties and customers in the part taken;
3. Subtract the value of the assets, property and customers from the part taken (difference between the before and after values) to determine business severance damages; and
4. Add assets, properties, customers, business severance damages and the physical separation damages to determine just compensation.

4. Filing Requirements and Testimony

On January 24, 2025, the assigned ALJ issued a ruling requesting comments and responses to questions and proposed filing requirements, as well as guidelines and a proposed schedule for serving testimony (ALJ Ruling).

The proposed testimony guidelines would direct CCSF to serve supplemental testimony that includes the following:

- a. Final separation plan with one scenario;
- b. Complete asset list based on a single separation plan;
- c. Testimony that articulates how the valuation addresses the items directed in the discovery in the Ruling on PG&E's Motions to Compel;

⁹ Administrative Law Judge Ruling Soliciting Comments, March 27, 2024, Attachment A "Staff Proposal" at 3.

- d. Income approach based on actual revenues for the part taken; and
- e. Regarding severance damages, CCSF can address severance damages in rebuttal testimony while PG&E addresses it in its initial testimony.

For PG&E, the ALJ Ruling provides that testimony would include:

- a. Value of part taken using all three approaches (i.e., sales comparison, income, and cost);
- b. Income approach for the part taken based on actual revenues and severance damages based on the avoided cost study;
- c. Cost estimate of separation and reintegration costs based on CCSF's separation plan; and
- d. Severance damages based on the formula adopted in the interim decision at the minimum. PG&E may also submit valuation of severance damages based on an alternate method.

On February 24, 2025, parties filed Opening Comments to the ALJ Ruling soliciting comments on filing requirements and testimony. Parties filed Reply Comments on March 27, 2025.

5. Party Comments

CCSF, PG&E, CUE, SDG&E and SCE filed comments and reply comments on the framework outlined in the Staff Proposal on Standards for Just Compensation on May 13, 2024, and reply comments on June 4, 2024. They also filed additional comments to the Staff Proposal, filing requirements, and testimony on February 24, 2025 in response to the ALJ Ruling.

5.1. Standards for Just Compensation

CCSF generally agrees with the broad principle that the ~~policy and legal~~ objectives in determining just compensation are to make PG&E's investors and

remaining customers whole and that from a financial perspective, PG&E should be in the same position before and after the acquisition. CCSF supports the proposed standards in the Staff Proposal but states that ensuring ratepayers remain unaffected by an acquisition is not a statutorily mandated basis for the determination of just compensation.¹⁰ CCSF further states that it may be difficult to determine what differences in rates are attributable to the condemnation and proposes additional principles, which are summarized below.

In ensuring that PG&E's investors are not overcompensated or undercompensated, CCSF argues that Investor-Owned Utilities (IOUs) are fundamentally different from non-utility properties in that they receive a rate of return on assets, the Commission should not feel strictly bound by condemnation decisions that set the value of non-utility property and impute private property rights to an entity that has a guaranteed rate of return and exclusive rights to a captive market.¹¹

CCSF also states that PG&E should not be compensated for the loss of future business activities and that estimates of costs and damages for determining severance damages must be proven. CCSF further adds that the benefits to PG&E and its customers of removing San Francisco assets may offset any severance damages, resulting in there being no net severance damages owed to PG&E.¹²

¹⁰ CCSF argues that ratepayer impacts are not addressed by the governing statute (Pub. Util. Code § 1411). *See* CCSF Comments on Administrative Law Judge Ruling Soliciting Comments, May 13, 2024, at 2.

¹¹ *Id.* at 4.

¹² CCSF Comments on Administrative Law Judge Ruling Soliciting Comments, May 13, 2024 at 7.

PG&E and CUE agree with the Staff Proposal that PG&E's remaining ratepayers as well as its shareholders should be left unaffected, stating that the determination of just compensation should ensure that CCSF's proposed taking would not impose costs on PG&E's remaining business resulting in increased rates for PG&E's remaining customers while ensuring that PG&E is able to maintain its safety, reliability, wildfire mitigation, public benefit, and other critical programs and operations after the taking without negative impact or injury.¹³

PG&E also generally agrees with the Staff Proposal's assertion that business severance damages should be calculated by comparing PG&E's revenues and costs before and after the taking but disagrees with the proposal regarding how the formula should be applied, as further discussed below.

5.2. Methodology and Procedures for Determination of Just Compensation

CCSF generally supports the Staff Proposal's steps for valuation of just compensation, but states that the Commission should not decide on a single methodology until after all testimony is submitted. CCSF argues that PG&E has yet to demonstrate it is entitled to severance damages. If the San Francisco system has costs that exceed the revenues from the customers served by that system, CCSF argues that the Proposal's "with and without" analysis could conclude there are no severance damages.¹⁴

According to CCSF, deriving income from actual revenues (rather than return on rate base) leads to an inaccurate valuation. CCSF argues that a new

¹³ PG&E Opening Comments to Staff Proposal, May 13, 2024 at 5.

¹⁴ CCSF's Comments on Administrative law Judge Ruling Soliciting Comments May 13, 2024 at 7.

hypothetical owner of the assets serving San Francisco would not expect to continue charging the same rates to customers after the acquisition because the Commission would reset the rates to the level justified by the cost of service of only the San Francisco assets. Therefore, no informed buyer would pay a purchase price primarily based on the actual revenues from the customers in San Francisco prior to the purchase.

CCSF argues that counting lost cash flows related to public purpose programs or common costs¹⁵ in the valuation could lead to double counting. CCSF states that the Commission has already provided a mechanism for recovery of putative lost cash flows resulting from municipal departing load through the Transferred Municipal Departing Load (TMDL) tariff, and that the Commission established a separate process for collection of the Power Charge Indifference Adjustment (PCIA).

For purposes of determining the fair market value of the subject property and assets, CCSF states that the income approach based on return on rate base is the appropriate approach.¹⁶ However, CCSF critiques PG&E's proposed method to apply the income approach, as described below, citing inconsistencies such as using revenues and costs in certain places and cash flow and rate base in others. According to CCSF, PG&E's proposed method has the potential to double count revenues in the calculations between the value of the part taken and severance damages.

¹⁵ This includes Wildfire Fund Charge, Department of Water Resources Power Charge, Power Charge Indifference Adjustment, Competition Transition Charge, Nuclear Decommissioning Charge, Regulatory Asset Charge, Energy Cost Recovery Amount Charge, Wildfire Hardening Charge, and Recover Bond Charge. Some of these charges are included in the Transferred Municipal Departing Load Tariff.

¹⁶ CCSF Comments on Staff Proposal Administrative Law Judge Ruling Requesting Comments and Responses, February 24, 2025, at 9 to 10.

Finally, CCSF comments that estimates too far into the future are too speculative to serve as reliable indicators of value and damages should not attempt to compensate PG&E for impacts in perpetuity.¹⁷

PG&E argues that the Staff Proposal, which is modeled on the Federal approach, would violate California law because it would use the before and after approach to determine the value of the assets that CCSF proposes to take and business severance damages as a single lump sum.¹⁸ SDG&E and SCE agree.¹⁹

With respect to calculating the value of the part taken, PG&E states that deriving the value of the part taken from the before and after approach, as shown in the Staff Proposal, negates the value derived from the cost approach, rendering the cost approach irrelevant to the valuation: “To the extent that the income approach relies on rate base as the foundation for utility income, it would essentially undervalue assets that are not incorporated in rate base or have a rate base value of zero.”²⁰ PG&E adds that using revenues and expenses for both analyses would make it impossible to differentiate business severance damages from the value of the part taken, thereby necessarily undercompensating or overcompensating PG&E’s remaining or departing customers, and that certain costs such as common costs and public purpose charges would not be accounted for and will be shifted to remaining customers.

PG&E proposes several modifications to address these issues. PG&E argues that to align with California law, the valuation for just compensation

¹⁷ CCSF’s Comments on Administrative Law Judge Ruling Soliciting Comments, May 13, 2024, at 5.

¹⁸ PG&E’s Opening Comments to Staff Proposal, May 13, 2024 at 10.

¹⁹ SCE and SDG&E Joint Reply Comments, June 4, 2024, at 5 to 6.

²⁰ PG&E Opening Comments to Staff Proposal, May 13, 2024, at 10 and 15 to 18.

should be calculated to separately determine: (a) the value of the part taken, using the three recognized approaches to asset valuation; (b) business severance damages, using a variant of the Staff Proposal's before and after approach; and (c) physical severance damages. Total compensation would, therefore, be the value of the part taken, plus business severance damages and physical severance damages.²¹ PG&E argues that the methodology must determine the present value of the forecasted revenues and costs of its remaining system after the taking.

PG&E agrees with the Staff Proposal that severance damages must include lost revenues from PCIA and other non-by passable charges (NBC) and should not exclude the NBCs identified in the TMDL tariff, as recommended by CCSF. PG&E states that "if PG&E were instead restricted to piecemeal 'mechanism[s] for recovery,' PG&E would face an inherent risk of inconsistency and would have no way to ensure that it recovers the full amount of severance damages to which it is entitled."²² Furthermore, PG&E argues that its revenue requirement is based on cost-of-service ratemaking for that entire system, not for geographic areas or for particular assets within it, and that fair market value should be based on a hypothetical buyer that includes both a private and public buyer and that ratepayer impacts should be considered in determining the fair market value.

PG&E also argues that the valuation must consider impacts on PG&E's gas system because it is integrated with PG&E's electric system, sharing numerous assets and personnel and part of a single corporation supported by shared services and funded via a single general rate case which includes a methodology for allocating common and joint costs. Due to the integrated nature of its gas and

²¹ PG&E Opening Comments to Staff Proposal, May 13, 2024 at 25.

²² PG&E Reply Comments to Staff Proposal, June 4, 2024, at 17.

electric systems, PG&E argues that its gas business will also suffer business severance damages.²³

CUE, SCE and SDG&E support the valuation methodology presented by PG&E during the February 2024 workshops as it is consistent with state law and Commission precedent.²⁴ CUE also agrees with PG&E's position that the gas and electric system is part of a single integrated business.²⁵

5.3. Filing Requirements

Regarding the separation plan, CCSF intends to provide a conceptual separation plan in its supplemental testimony which will address transmission and distribution separation and the resulting transmission and distribution systems for CCSF and PG&E.²⁶ It plans to include details on electrical system facilities (substations, lines, metering), but does not believe it is appropriate to include service agreements, debts, or decommissioning costs, as recommended by CUE.²⁷ CCSF contends that PG&E should collaborate in the preparation of a separation plan by providing a list of specific technical concerns and identify alternatives if it does not agree with CCSF's separation plan, otherwise it should adequately address concerns in rebuttal testimony. CCSF does not believe it needs to provide a single separation plan or revised inventory of assets prior to serving amended testimony.²⁸

²³ PG&E Opening Comments to Staff Proposal, May 13, 2024, at 6.

²⁴ CUE's Comments on Staff Proposal, May 13, 2024 at 2 and SCE and SDG&E's Joint Reply Comments, June 4, 2024, at 16.

²⁵ *Id.* at 3.

²⁶ CCSF Corrected Reply Comments, April 16, 2025 at 9.

²⁷ *Id.* at 7.

²⁸ *Id.* at 3.

Regarding the inventory of assets, CCSF states that it would be helpful to stipulate the inventory of assets to be taken if it does not result in further delay, but it is not helpful to stipulate the per unit costs for certain items.²⁹ CCSF agrees that inventory revisions need to be provided and it is willing to engage with PG&E to see if certain discrepancies can be eliminated or narrowed.

Regarding the schedule, CCSF recommends that a ruling be issued in place of this interim decision. CCSF agrees to address severance damages in rebuttal testimony, while PG&E addresses it in its initial testimony. However, CCSF is concerned that the proposed 90-day timeframe for serving rebuttal testimony will be insufficient.³⁰

PG&E states that before any further testimony submissions, CCSF must identify the specific assets it plans to take, including a single scenario for separation of the Martin Substation. The separation plan must provide a preliminary engineering plan to separate those assets from the ones that PG&E will retain.³¹ For the Martin Substation, CCSF would need to show the precise scope and boundaries of the taking, including with respect to lines entering and leaving Martin, and show interconnection points and how lines would be reconfigured (both geographically and with single line diagrams). CCSF's single taking scenario must be evaluated in its Draft Environmental Impact Report.

²⁹ CCSF's Comments on Administrative Law Judge Ruling Requesting Comment and Responses, February 24, 2025, at 3.

³⁰ *Id.* at 6.

³¹ PG&E states that the separation plan should be detailed at the level of a preliminary engineering plan, which should define the specific boundaries for each existing circuit, the incremental substations and feeders required. *See* PG&E Comments to January 2025 Ruling at 19.

PG&E adds that it is not PG&E's responsibility to propose an alternate separation plan.

According to PG&E, CCSF has failed to provide a final asset-taking list on which PG&E can base its valuation. SDG&E, SCE and CUE agree with PG&E's position.³² Furthermore, PG&E states that CCSF has not complied with PG&E's discovery requests. PG&E argues that these must be completed *before* PG&E submits a valuation in testimony.

PG&E states that after CCSF decides which assets it will take and how they will be separated from PG&E's system, the Commission must separately determine just compensation for both the asset taken and for PG&E's severance damages, in accordance with governing law.

6. Discussion of Issues

6.1. Discussion on Standards for Just Compensation

Parties generally agree that the ~~policy and legal~~ objectives in determining just compensation are to make PG&E's investors whole and leave remaining customers ~~whole~~ neutral to the acquisition, and that from a financial perspective, PG&E should be in the same position before and after the acquisition. CCSF, however, has a different view concerning ratepayer impacts.

The governing statute does not explicitly address ratepayer impacts; however, the Commission has a duty to protect ratepayers, and we highlight that the remaining ratepayers are a captive market. If CCSF were to depart and immediately cease to share in paying for the same cost drivers that it currently pays, PG&E's remaining customers may suffer significant harm. PG&E's revenue requirement includes many mandated fixed costs to maintain its safety,

³² SCE and SDG&E Joint Reply Comments, June 4, 2024, at 9.

reliability, wildfire mitigation, public benefit, and other critical programs, that are passed through to customers. If sales decline due to the departure of load, then the rates increase for remaining ratepayers.

To protect ratepayers, the legislature has enacted similar principles in the establishment of Pub. Util. Code Section 366.2, prohibiting cost shifting from customers that depart IOU service to participate in Community Choice Aggregation on the remaining utility ratepayers.³³ We share the legislature's concern and find that that same principle applies here. To be clear, we are not finding that just compensation as defined in Pub. Util. Code Sections 1401-1421 requires, inter alia, CCSF customers to share in PG&E's cost of investments made in its remaining territory after municipalization, only that CCSF should pay its share of costs, including costs which it was already paying, or committed to pay, at the time of CCSF's Petition. However, we also note that parties may have the ability to come back to the Commission to request an increase or decrease in the just compensation amount due to events post-petition, pursuant to Pub. Util. Code Sections 1417-1419.

Therefore, we adopt the standard of just compensation that PG&E's remaining ratepayers and shareholders should remain in the same financial position after the acquisition.³⁴ However, this points to the need for just compensation to include a mechanism to ensure fair allocation of the award to ratepayers. Thus, we require CCSF and PG&E to provide testimony on how the fair allocation of just compensation can be ensured.

³³ Pub. Util. Code Section 366.2(a)(4): "The implementation of a community choice aggregation program shall not result in a shifting of costs between the customers of the community choice aggregator and the bundled service customers of an electrical corporation."

³⁴ Based upon the petition date.

CCSF also argues that the Commission should not feel strictly bound by condemnation decisions that set the value of non-utility property to IOUs who have a guaranteed rate of return and exclusive rights to a captive market.

In D.35985, involving the determination of just compensation for the Sacramento Municipal District's (SMUD) condemnation of certain properties owned by PG&E as an on-going concern, the Commission stated that:

"...[e]xceeding great care should be observed, therefore, to assemble each and every item, tangible and intangible alike, that rightfully may be deemed pertinent to the issue, and to weigh each such factor in the scales of both logic and justice, to the end that the final award may embrace every element of value sanctioned by equity within the purview of the law."³⁵

In discussing the computation of net earnings as a factor of fair market value the Commission noticed the statewide concern of rates and said that:

"...[o]n the theory that the cities and towns of California profit by the orderly development of the entire state, it has long been the Commission's practice, in so far as practical, to level rates throughout a utility's territory in order that the rural areas might benefit through service at reasonable rates. This practice has, of course, often resulted in rates of return from congested areas which consistently were above the average return for the entire system. ... [I]n view of the Commission's policy, recognition must be given to the earning power, within reasonable limits, of the said property sought to be condemned." (*Id* at. 17-18.)

The Commission has also stated that "the obligation of the [regulated entity] to continue its operations will also be considered" when deciding just compensation.³⁶

³⁵ D.35985 at 14 (1938 Application No. 21960).

³⁶ See D.71161 at 7 (1964 Application No. 46600).

The above principles are in concert with other principles of just compensation. As the California Supreme Court said as a foundational principle, "[The] rule is of universal acceptance that the measure of this [takings] damage is the market value; that is to say, the highest price estimated in terms of money which the land would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying *with knowledge of all of the uses and purposes to which it was adapted* and for which it was capable."³⁷

This foundational principle has been applied to a universe of factual situations including properties for which "open markets" are hard to find or measure, such as regulated entities. But in all instances the courts apply common principles. The courts have said that "'just compensation' contemplates compensation measured by what the landowner has lost rather than by what the condemnor has gained."³⁸ And, just compensation "must put the owner in as good position pecuniarily as [the owner] would have occupied if [the] property had not been taken."³⁹

Condemnees may also be entitled to severance damages for losses sustained to property remaining after severance and for "loss sustained through diminution in value of the property not taken."⁴⁰ The law also recognizes that

³⁷ *Sacramento S.R. Co. v. Heilbron*, 156 Cal. 408, 409 (1909).

³⁸ *Merced Irrigation Dist. v. Woolstenhule*, 4 Cal. 3d 478, 494 (1971) (citing *People v. La Macchia*, 41 Cal.2d 738, 754 (1953)).

³⁹ *City of San Diego v. Barrat American, Inc.*, 128 Cal.App.4th 917, 93 (2005) (citing *Ventura County Flood Control Dist. V. Campbell*, 71 Cal.App.4th 211, 219-219 (1999)).

⁴⁰ *In the Matter of the Application of the City and County of San Francisco*, D.21247 at 23 (1929 Application 9767).

damages not squarely recognized as severance damages may be included in just compensation.⁴¹

The Commission intends to approach just compensation in this proceeding with the above factors and principles in consideration, including the statewide benefit of level rates throughout an electrical public utility's service territory, and the Commission concludes that the standard for just compensation must leave remaining ratepayers unharmed by cost shifting. As such, the Commission concludes that the evidence presented in this proceeding to prove just compensation must include testimony with quantitative accounting that shows how cost shifting will be avoided so that remaining ratepayers will be left unharmed. CCSF's and PG&E's appraisals must address how the just compensation award is allocated between shareholders and ratepayers.

6.2. Methodology, Appraisal, and Procedures for Determination of Just Compensation

6.2.1. Before and After Rule

The Parties agree that the before and after rule is the appropriate framework for determining [the severance portion of](#) just compensation; it is consistent with state law and has been applied by the courts when determining the amount of just compensation and severance damages for eminent domain actions. Courts have explained, for instance, "[w]here the property taken constitutes only a part of a larger parcel, the owner is entitled to recover, *inter alia*, the difference in the fair market value of his property in its 'before' condition and the fair market value of the remaining portion thereof after the construction of the improvement on the portion taken."⁴²

⁴¹ See *S. Bay Irr. Dist. v. California-Am. Water Co.*, 61 Cal. App. 3d 944, 1003 (1976).

⁴² *Pierpont Inn, Inc. v. State*, 70 Cal. 2d 282, 295 (1969). See *City of San Diego v. Rancho Penasquitos P'ship*, 105 Cal. App. 4th 1013, 1029 (2003), as modified on denial of reh'g (Mar. 3, 2003):

California eminent domain law also provides that when property taken is part of a larger parcel, “compensation shall be awarded for the injury, if any, to the remainder” and any benefits to the remainder (severance benefits) may be used to offset severance damages but may not be used to offset the value of the property taken.⁴³

Additionally, severance damages must be separately stated consistent with Pub. Util. Code § 1411. While the Commission is not strictly bound to California eminent domain law, pursuant to California Code of Civil Procedure §1230.060, we find that severance damages (or severance benefits) shall not count against the valuation of the part taken and must be separately stated.

The calculated value of the whole property before the taking may aid the Commission in determining severance damages. For the purposes of validating the calculation of severance damages, parties must calculate the value in the before condition of both PG&E’s whole system and its remaining system.

Parties disagree whether the “larger property” is PG&E’s electric utility system (EUS) or PG&E’s entire system including its gas business (PG&E as a whole). To enable the Commission to determine whether PG&E’s gas operations are part of its “entire property” for purposes of business severance damages, the factual record will need to be developed regarding the interrelationship between

“Whereas here, the condemnation involves a partial taking of a larger parcel, there must be an appraisal both of the ‘before condition’ and the ‘after condition.’”

⁴³ See Code of Civil Procedure §1263.410, which provides: “Compensation for injury to the remainder is the amount of the damage to the remainder reduced by the amount of the benefit to the remainder. If the amount of the benefit to the remainder equals or exceeds the amount of the damage to the remainder, no compensation shall be awarded under this article. If the amount of the benefit to the remainder exceeds the amount of damage to the remainder, such excess shall be deducted from the compensation provided in Section 1263.510, if any, but shall not be deducted from the compensation required to be awarded for the property taken or from the other compensation required by this chapter.”

PG&E's electric and gas businesses. Therefore, we direct parties to include in their testimony facts and evidence supporting their definition of the "before" property. Furthermore, the Parties should quantify in their valuations the ~~potential~~ effects, if any, on PG&E's gas business caused by the taking.

**6.2.2. Income Approach Based on
Actual Revenues vs Return
on Rate Base**

Parties disagree with the Staff Proposal regarding what valuation methods are most appropriate for just compensation and argue that the Commission should not decide on a single methodology until after all testimony is submitted.⁴⁴

The Staff Proposal relies on the quantification of actual lost revenues, avoided (or avoidable) costs, and avoided (or avoidable) capital expenditures to derive the cash flows PG&E will lose from the taking. Conversion of before and after cash flows into values before and after the taking, and the subtraction of the after value from the before value, provides a measure of total just compensation, which includes both the value of the part taken and total severance damages.

Under California eminent domain law, severance damages are determined by subtracting the market value of the remaining property after the taking from the market value of the remaining property (i.e., not the entire property) before

⁴⁴ See PG&E Comments on Administrative Law Judge's Ruling requesting Comments and Responses, February 24, 2025 at 44: "The Commission should not decide, at this stage of the case, whether to accept or how strongly to weigh an income approach under "D" that accounts for potential public sector buyers; it should make that decision on the basis of a full record, with the benefit of testimony and post-hearing briefs."

the taking (i.e., in the before condition).⁴⁵ This approach measures severance damages only, as it does not include the value of the part taken.

After consideration, we decline at this time to provide a prescriptive calculation methodology for parties to follow or to predict which valuation methodology will provide just compensation. Parties may submit valuations applying the three methods as they deem appropriate; however, parties must demonstrate in their testimony how their proposed approach is consistent with California law and Commission precedent, provides the most accurate valuation, and avoids double counting. Furthermore, in the interest of developing the record to consist of comparable testimony from the parties, we provide guidelines, in the sections below, on some minimum methods and figures for parties to provide.

While the Commission agrees with parties that actual revenues do not necessarily directly determine the value of the part taken, that does not make such information useless for the purposes of valuation in general.

First, we are not convinced by CCSF's argument that *actual* O&M costs are needed if *actual* revenues are used. Estimates may, in general, be based upon different methodologies, which does not make such estimates incompatible. Second, we disagree that the method that derives the combined value of the part taken with the severance damages would be useless, as stated by PG&E. At a minimum, such a figure can be used as a point of comparison to the figures provided by the parties.

Furthermore, applying the income approach based upon actual revenues may be useful to the Commission in achieving the principle of leaving ratepayers

⁴⁵ See *People v. Loop*, 127 Cal.App.2d 786, 799 (1956); *San Diego Metro. Transit Dev. Bd. v. Cushman* 53 Cal. App.4th 918, 926 (1997).

and shareholders indifferent, which cash flows based upon return on rate base do not provide for. For instance, the actual revenues from pass-through costs such as the PCIA and other NBCs need to be accounted for to determine whether they may be recovered in their entirety by the TMDL tariff. It has not been determined at this time whether the TMDL tariff would be an appropriate mechanism for recovering such costs in the case of CCSF municipalization. If the actual revenues are not accounted for, they could be shifted onto remaining ratepayers. Thus, the parties need to demonstrate whether and how the TMDL would recover all or a certain portion of the lost revenues that would be left to the remaining ratepayers.

The ~~customers~~customer accounts, and the revenues they produce, are a major part of what is being taken. One of the highest density portions of PG&E's system is being removed from PG&E's whole system, where the revenues may be greater than the cost to serve, helping to offset costs in rural regions. The "return on rate base" approach does not require the computation of revenues at all (lost or otherwise), so we are not convinced that it can capture the value the CCSF customers contribute to lower remaining customers' rates.

If the income approach for valuing the part taken is based on actual lost revenues and actual or estimated operating expenses and capital expenditures, the value indicated would include the value CCSF customers, one of the highest density portions of PG&E's system, contribute to remaining PG&E customer rates, as well as recovery of pass-through cost commitments such as those recovered in the PCIA. Stranded costs may then be measured by taking the difference between the fair market value of the remainder of PG&E's system before and after the taking, in accordance with California law.

Therefore, while the parties' testimony may calculate the valuation based on their preferred method, they must demonstrate how they account for the revenues that are not included in the return on rate base in their appraisal. The parties must quantify these lost revenues as part of their testimony.

6.3. Separation Plan

Separation costs and the value of the part taken are contingent on a separation plan. Separation planning and asset identification is, therefore, critical to the determination of valuation of the part taken, business severance damages, and separation and reintegration costs. As stated in the ALJ Ruling on October 28, 2024:

"Data Set 1 No. 1 is granted because the request for an inventory of assets CCSF intends to take is relevant for the valuation. CCSF is directed to adhere to the specificity described by PG&E, including the points of demarcation and separation, physical alterations, and/or changes in the controls/communications relating to the Martin substation, to ensure that the assets are sufficiently and specifically identified for consideration in this proceeding."⁴⁶

In its March 27, 2025 Reply comments, CCSF states that it will "provide in its testimony a separation plan that contains sufficient information for parties to submit testimony on the assets for valuation and severance damages."⁴⁷ CCSF states that the separation plan will include the information PG&E seeks, including:

⁴⁶ Administrative Law Judge's Ruling Granting in Part and Denying in Part Motions to Compel, dated October 28, 2024, at 5.

⁴⁷ CCSF Reply Comments on Administrative Law Judge Ruling Requesting Comments and Responses, April 16, 2025, at 6.

- “Boundaries for existing transmission and distribution circuits (single line diagram for transmission and circuit diagrams for distribution);
- Incremental substation and feeders (single line diagrams for transmission and circuit diagrams for distribution) for the City and PG&E; and
- Boundary of proposed separation at Martin, including substation equipment and transmission and distribution lines entering and leaving Martin (conceptual site plan and single line diagrams).”⁴⁸

CCSF has not identified a single preferred scenario to date. In the interest of time and efficiency, CCSF must comply with the ALJ Ruling⁴⁹ and is directed to include the information outlined in CCSF’s reply comments listed above before any other testimony submissions. In order to establish separate values for asset valuation, severance damages, and to quantify separation and reintegration costs, it is necessary to develop a plan for a single preferred scenario for Martin Substation detailed at the level of a preliminary engineering plan defining the specific boundaries for each existing circuit, the incremental substations and feeders required to physically separate the systems (part taken and part remaining). We therefore direct CCSF to base its testimony on a single separation scenario.

7. Testimony Guidelines

Based on party comments and prior discussions and filings, the following subsections provide guidelines concerning testimony as well as minimum information that should be included. Nothing in the foregoing or ensuing limits

⁴⁸ *Id.* at 6 to 7.

⁴⁹ This decision is not intended to limit the ALJ’s ability to modify or vacate a ruling as the ALJ sees fit.

what parties may provide in addition as they see fit to argue their valuation claims.

7.1. CCSF Amended and Restated Testimony

CCSF is ordered to submit amended and restated testimony subject to the following guidelines:

- a. Testimony must include an appraisal of the fair market value of the property to be condemned as of July 27, 2021 (the Petition date).
- b. Testimony must be supported by evidence, source data, work files, supporting calculations and fully functional valuation models.
- c. Testimony must address how the appraisal conforms with industry standard practice and explain any divergences.
- d. The appraisal must utilize each of the following methods:
 - RCNLD, wherein the accrued depreciation (not book depreciation) is subtracted from the cost to replace the system taken (including real estate and related assets) and should include a stipulation of the assets to be taken;
 - Capitalized income approach, wherein projected future cash flows are discounted by the cost of capital to produce a discounted cash flow analysis;
 - ~~The testimony must produce an income approach based on actual revenues and an income approach based on return on rate base, to demonstrate how the valuation accounts for the CCSF customer base's contribution to lowering PG&E system rates for remaining customers;~~
 - Income approach appraising the value of the part taken;
 - Market approach (sales comparison approach), wherein sales of similar utilities or properties are compared to the part taken on an income or other basis. The testimony should include sales to both public and private entities as applicable.

- e. A separation plan must be submitted based on a single preferred scenario. The separation plan shall ~~be subject to the draft environmental impact report and~~ include a "preliminary engineering plan" defining the specific boundaries for each existing circuit, the incremental substations and feeders required, and precise scope and boundaries of the taking for the Martin substation. The separation plan should also include details of the separation from itemized infrastructure and the timeline for each separation.
- f. A complete asset list must be submitted based on a single scenario.

CCSF must submit its proposed regulatory accounting treatment of the recommended just compensation award, with a rate impact analysis with workpapers demonstrating that the proposed regulatory accounting of the recommended just compensation award will result in rate neutrality for PG&E's remaining customers based upon rates in place on the Petition date.

7.2. PG&E ~~Opening and Rebuttal~~ Testimony

PG&E is ordered to submit ~~opening and rebuttal~~ testimony subject to the following guidelines:

- a. Testimony must include an appraisal of the fair market value of the property to be condemned as of July 27, 2021 (the Petition date).
- b. Testimony must be supported by evidence, source data, work files, backup data, supporting calculations and fully functional valuation models.
- c. Testimony must address how the appraisal conforms with industry standard practice and explain any divergences.
- d. The appraisal must be consistent with the calculation of severance damages to avoid double counting and must utilize each of the following methods:
 - RCNLD wherein the accrued depreciation (not book depreciation) is subtracted from the cost to replace the system taken (including real estate and related assets);

- Capitalized income approach, wherein projected future cash flows are discounted by the cost of capital to produce a discounted cash flow analysis;
 - ~~The testimony must produce an income approach based on actual revenues and an income approach based on return on rate base, to demonstrate how the valuation accounts for the CCSF customer base's contribution to lowering PG&E system rates for remaining customers;~~
 - Income approach calculating the value of the whole property before the taking, the value of the remainder of the property before and after the taking, and the value of the part taken;
 - Market approach (sales comparison approach), wherein sales of similar utilities or properties are compared to the part taken on an income or other basis. The testimony should include sales to both public and private entities as applicable.
- e. Appraisals as evidence supporting PG&E's claim for business severance damages. This includes an appraisal of the fair market value of PG&E's remaining system before the taking and after the taking. In addition, business severance damages must provide a specific sum that represents PCIA, safety, reliability, wildfire mitigation, public benefit, stranded asset costs, joint and common costs, public purpose charges, and other pass-through costs, stranded costs and stranded assets, and account for which portion, if any, would be recovered in TMDL tariff;
- f. The cost PG&E will incur to separate and reintegrate its system based on the separation plan filed by CCSF including comprehensive testimony, supporting evidence, complete backup data and fully functional models.
- g. PG&E's proposed regulatory accounting of the recommended just compensation award. This should include workpapers calculating adjusted revenue requirements demonstrating which portions of the award will be returned to shareholders and which will be returned to ratepayers and the time period of the returns.

- h. A rate impact analysis with workpapers demonstrating that the proposed regulatory accounting of the recommended just compensation award will result in rate neutrality for PG&E's remaining customers based upon rates in place on the Petition date.
- i. A calculation of the present value of discounted cashflows for the part taken using actual revenues and avoided costs to show how the valuation accounts for the CCSF customer base's contribution to lowering PG&E system rates for remaining customers.

7.3. Rebuttal Testimony

CCSF shall serve rebuttal testimony responsive to the testimony described in Section 7.2 including at least the following:

- a. Appraisal of the whole before the taking, and the remainder before and after the taking based upon the income approach.
- b. ~~a.~~ Appraisals as evidence supporting CCSF's calculation of net business severance damages and rebutting PG&E's claim for severance damages. This includes an appraisal of the fair market value of PG&E's remaining system before the taking and after the taking. In addition, business severance damages must provide a specific sum that represents PCIA, safety, reliability, wildfire mitigation, public benefit, stranded asset costs, joint and common costs, public purpose charges, and other pass-through costs, stranded costs and stranded assets, and account for which portion, if any, would be recovered in TMDL tariff.
- c. A calculation of the present value of discounted cashflows for the part taken using actual revenues and avoided costs to show how the valuation accounts for the CCSF customer base's contribution to lowering PG&E system rates for remaining customers.

7.4. Severance Damages Testimony

- a. Because testimony concerning severance damages will be initiated by PG&E, other parties shall be allowed to serve testimony responsive to PG&E's testimony concerning

severance damages. PG&E will then be allowed to serve rebuttal testimony concerning severance damages.

- b. The schedule for serving testimony under this subsection will be specified in a future ruling amending the procedural schedule.

8. Comments on Proposed Decision

The proposed decision in this matter was mailed to the parties in accordance with Pub. Util. Code § 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure.

Comments were filed by ~~_____ on _____~~ CCSF, PG&E, CUE, and jointly by SCE and SDG&E on October 16, 2025. Reply comments were filed by ~~_____ on _____~~ CCSF, PG&E, CUE, and jointly by SCE and SDG&E on October 21, 2025.

CCSF states that the proposed decision errs in its discussion of ratepayer impacts. CCSF also states that the PD should clarify that the before and after rule is for valuing business severance damages (if any) and that PG&E must at the minimum present evidence using the income approach, when applying said rule to determine the value of the part taken. CCSF also clarifies that the decision must require an appraisal of land and property rights in step two of the calculation methodology. CCSF also comments that PG&E must prove its entitlement to severance damages and that the valuation of the before property should not include PG&E's entire gas system. Finally, CCSF states that the decision should clarify that a separation will be provided as part of CCSF's amended testimony and that the Commission lacks jurisdiction to dictate the contents of CCSF's EIR.

PG&E comments that Ordering Paragraph 2 should be modified to clarify use of the California before and after rule. PG&E also states that CCSF's

separation plan be based on a final EIR and that PG&E be allowed to submit rebuttal testimony on severance damages.

CUE supports the overall framework for establishing just compensation but states that CCSF should be required to present a separation plan in a certified final EIR and not a draft EIR, at least 8 months before PG&E is required to serve testimony. CUE also states that parties other than CCSF be allowed to submit reply testimony to PG&E's testimony on severance damages.

SCE and SDG&E state that the valuation methodologies described in the proposed decision generally provide parties latitude to meet the stated objectives. SCE and SDG&E agree that a separation plan based on a single scenario be set forth by CCSF, but clarify that a final and not a draft EIR is necessary.

The comments have been reviewed and appropriate changes to the decision have been made.

9. Assignment of Proceeding

Commissioner John Reynolds is the assigned Commissioner and Rafael Lirag is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. CCSF and PG&E recommended that the Commission receive briefing on the applicable standards for determining just compensation as a framework for reviewing parties' testimony and filed separate briefs on their views.

2. The Staff Proposal presents three principles for just compensation, three recognized approaches to valuing property, and a methodology and steps for valuation of just compensation.

3. Parties in the proceeding filed comments to the Staff Proposal as well as an ALJ ruling that presented guidelines for serving testimony.

4. Parties generally agree that the ~~policy and legal~~ objectives in determining just compensation are to make PG&E's investors whole and leave remaining customers ~~whole~~ neutral to the acquisition, and that from a financial perspective, PG&E should be in the same position before and after the acquisition.

5. If CCSF were to depart and immediately cease to share in paying for the same cost drivers that it currently pays, PG&E's remaining customers may suffer significant harm ~~because the departed load will cause sales to decline and increase the share that remaining ratepayers pay.~~

6. The principles in Pub. Util. Code Section 366.2, prohibiting cost shifting from customers that depart IOU service to participate in Community Choice Aggregation on the remaining utility ratepayers should also apply to load departure to a municipal utility.

7. Just compensation contemplates compensation measured by what the landowner has lost rather than by what the condemnor has gained and must put the owner in as good of a position pecuniarily if the property had not been taken.

8. There is a need for the just compensation award to include an accounting of allocation of the award to ratepayers and shareholders to ensure a fair allocation.

9. Condemnees may also be entitled to severance damages for losses sustained to property remaining after severance and for loss sustained through diminution in value of the property not taken.

10. Parties agree that the before and after rule is the appropriate framework for determining the severance damage portion of just compensation but disagree whether the larger property is PG&E's EUS or its entire system which includes its gas business.

11. The calculated value of the whole property before the taking may aid the Commission in determining severance damages.

12. ~~11.~~ The evidence presented in this proceeding to prove just compensation must include testimony of how remaining ratepayers will be left unharmed by cost shifting.

13. ~~12.~~ Parties disagree with the Staff Proposal regarding what valuation methods are most appropriate for just compensation and argue that the Commission should not decide on a single methodology until after all testimony is submitted.

14. ~~13.~~ The factual record will need to be developed regarding the interrelationship between PG&E's electric and gas businesses.

15. ~~14.~~ Separation costs and the value of the part taken are contingent on a single scenario separation plan.

16. ~~15.~~ Separation planning and asset identification are critical to the determination of valuation of the part taken, business severance damages, and separation and reintegration costs.

17. ~~16.~~ CCSF stated that it will provide in its testimony a separation plan that contains sufficient information for parties to submit testimony on the assets for valuation and severance damages, but it has not yet done so.

Conclusions of Law

1. CCSF should pay its share of the costs necessary to keep remaining ratepayers neutral to the potential acquisition, including costs which it was already paying, or committed to pay, at the time of CCSF's Petition.

2. The standard of just compensation that PG&E's remaining ratepayers and shareholders remain in the same financial position after the acquisition, z should be adopted.

3. The governing statute on eminent domain does not explicitly address ratepayer impacts but the Commission has a Constitutional duty to protect ratepayers.

4. CCSF's and PG&E's testimony should include quantitative accounting that shows how cost shifting will be avoided and how the just compensation award is allocated between shareholders and ratepayers so that remaining ratepayers will be left unharmed.

5. Parties should include in their testimony facts and evidence supporting their definition of the "before" property and quantify in their valuations the ~~potential~~ effects, if any, on PG&E's gas business caused by the taking.

6. Prescriptive calculation methodology for parties to follow or to predict which valuation methodology will provide just compensation should not be adopted at this time, and parties should be allowed to submit valuations applying the three methods as they deem appropriate for consideration by the Commission.

7. For the purposes of validating the calculation of severance damages, parties must calculate the value in the before condition of both PG&E's whole system and its remaining system.

78. Severance damages (or severance benefits) should not count against the valuation of the part taken and should be separately stated.

O R D E R

IT IS ORDERED that:

1. The standards for just compensation stated in the Staff Proposal and summarized in Section 3.1 of this decision are adopted and shall serve as guiding

principles for this proceeding. This includes the standard that ratepayers remain in the same financial position after the proposed acquisition.

2. The “before and after rule” ~~which measures the difference between the value of the whole property before the taking and the value of the remaining property after the taking,~~ is adopted as the appropriate framework for determining the severance damage portion of just compensation but parties shall include testimony supporting their definition of the “before” property and quantify in their valuations the ~~potential~~ effects, if any, on PG&E’s gas business caused by the taking.

3. CCSF’s and PG&E’s testimony shall include quantitative accounting that shows how cost shifting will be avoided and how the just compensation award is allocated between shareholders and ratepayers so that remaining ratepayers will be left unharmed.

4. Parties shall submit appraisals applying each of the recognized valuation methods specified in Section 3.2 of this decision and shall demonstrate how their proposed just compensation award is consistent with California law and Commission precedent, provides the most accurate valuation, and avoids double counting.

5. Parties shall adhere to the testimony guidelines set forth in Section 7.1 to 7.3 of this decision. The testimony guidelines do not limit what parties may provide in addition, as they see fit to argue their valuation claims.

Petition 21-07-012 remains open.

This order is effective today.

Dated _____, at ~~San Francisco~~Sacramento, California.

Summary report: Litera Compare for Word 11.6.0.100 Document comparison done on 10/28/2025 10:44:34 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: original.docx	
Modified filename: (Rev 1) P.21-07-012 DECISION ESTABLISHING METHODS.docx	
Changes:	
<u>Add</u>	78
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<u>Table Insert</u>	0
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Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
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