

Decision **PROPOSED DECISION OF ALJ CHANG** (Mailed 3/6/2026)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U39E) for Approval Under Public Utilities Code Section 851 to Lease Entitlements to Transmission Projects to Citizens Energy Corporation.

Application 24-03-009

**DECISION ON PACIFIC GAS AND ELECTRIC COMPANY LEASING
ENTITLEMENTS UNDER PUBLIC UTILITIES CODE SECTION 851 TO
TRANSMISSION PROJECTS TO CITIZENS ENERGY CORPORATION**

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**DECISION ON PACIFIC GAS AND ELECTRIC COMPANY LEASING
ENTITLEMENTS UNDER PUBLIC UTILITIES CODE SECTION 851 TO
TRANSMISSION PROJECTS TO CITIZENS ENERGY CORPORATION**

Summary

Pacific Gas and Electric Company (PG&E) seeks Commission authorization, under California Public Utilities Code (Pub. Util. Code) Section 851, to lease entitlements of PG&E transmission projects to a wholly owned subsidiary of Citizens Energy Corporation (Citizens) under the terms and conditions of the Investment Program created by the Development, Coordination, and Option Agreement (DCOA). PG&E also seeks Commission authorization to enter into subsequent second to fifth Option Period Entitlements Leases with Citizens through an expedited Tier 3 Advice Letter process. Finally, PG&E seeks Commission authorization to submit information regarding the executed Entitlement Leases and Citizens' direct bill-paying assistance, estimated to total up to \$450 million over the duration of the five Entitlement Leases, through information-only submittals.

This decision does not approve the Option Period Entitlement Leases but authorizes PG&E to file a Tier 3 Advice Letter seeking authorization to enter into each Option Period Entitlements Lease with Citizens for specific transmission projects, with each Advice Letter to be evaluated based on whether they comply with the terms and conditions of the DCOA Investment Program and whether the transaction will be less favorable than the ratepayer impact of PG&E paying for these same transmission projects through its usual practices based on data fields described in Attachment A. The decision also requires PG&E to seek in its Option Period Tier 3 Advice Letters authorization for Citizens' ratepayer

assistance program for each Option Period, with PG&E required to provide detail about how Citizens plans to distribute ratepayer assistance in that Option Period. Additionally, the decision requires PG&E to include in Tier 3 Advice Letters for Option Periods 2 through 5 detail about how Citizens distributed ratepayer assistance in the previous Option Period. Finally, the decision directs PG&E to file a Tier 1 Advice Letter each time it receives approval of a new Federal Energy Regulatory Commission (FERC) formula rate updating its representative rate model using the newly FERC-approved formula rate terms. PG&E must also detail in that Tier 1 Advice Letter filing how use of the updated representative rate model would, but for the locked in nature of Citizens' rates, vary from the terms and transmission revenue requirement of Citizens' portion of each tranche of PG&E projects. The proceeding is closed.

1. Background

1.1. Application

On March 12, 2024, Pacific Gas and Electric Company (PG&E) filed Application (A.) 24-03-009 requesting Commission authorization, under California Public Utilities Code (Pub. Util. Code) Section 851, to lease entitlements to PG&E transmission projects to a wholly owned subsidiary of Citizens Energy Corporation (Citizens). PG&E filed an Amended Application on January 31, 2025 seeking Commission authorization to enter into an Entitlement Lease with Citizens under the terms and conditions of the Investment Program created by the Development, Coordination, and Option Agreement (DCOA); seeking Commission approval for the second through fifth Entitlements Leases through an expedited Tier 3 Advice Letter process; and seeking Commission

authorization to submit information regarding the executed Entitlement Leases and Citizens' direct bill-paying assistance, estimated to total up to \$450 million over the duration of the five Entitlement Leases, through information-only submittals.¹ PG&E also stated in its Amended Application that the aggregate value of the Entitlement Leases would be capped at \$1 billion, with the amount to be allocated into five separate leases averaging \$200 million each.² PG&E requested in the Amended Application that the Commission evaluate the future Entitlement Leases submitted through Tier 3 Advice Letters based on whether they are consistent with the terms of the DCOA, including the project eligibility criteria, and the Commission's orders regarding the Amended Application.³

PG&E states that at least 30 days before filing a Tier 3 Advice Letter for the second through fifth Entitlement leases, PG&E will meet with interested stakeholders to inform them about the proposed Entitlement Lease, including the projects to be included.⁴ PG&E proposes to submit the Tier 3 Advice Letters at least 120 days before it anticipates executing each relevant lease.⁵ PG&E states that the Tier 3 Advice Letters will identify and describe the specific projects that will be subject to the leases and identify the anticipated Citizens' leasehold interest percentage in each project.⁶

¹ Pacific Gas and Electric Company (PG&E) Amended Application (A.) 24-03-009 at 30-31.

² Amended A.24-03-009 at 8-9.

³ Amended A.24-03-009 at 31.

⁴ Amended A.24-03-009 at 32.

⁵ Amended A.24-03-009 at 32.

⁶ Amended A.24-03-009 at 32.

1.2. Citizens Energy Corporation

Citizens is a non-profit Massachusetts charitable corporation and a Federal Energy Regulatory Commission (FERC) jurisdictional public utility whose commercial subsidiaries support social and charitable programs in the United States and other countries.⁷ Citizens' stated primary mission is to help low-income families and disadvantaged communities in the areas of energy and health care.⁸ PG&E states in its Amended Application that "[s]ince 2004, Citizens has sought opportunities to alleviate transmission constraints and promote the development of renewable electric resources while continuing to assist the economically vulnerable."⁹ Citizens owns 100 percent of a for-profit holding company, which owns several for-profit subsidiaries, including Citizens Enterprises Corporation.¹⁰ PG&E states in its Amended Application that "Citizens expects to use Citizens Pacific Transmission LLC, a Delaware limited liability company and wholly owned subsidiary of Citizens Enterprises Corporation, to effectuate the leases of Entitlements under the Investment Program."¹¹ PG&E states that Citizens relies on profits from the businesses it owns and operates to generate revenues for charitable and social programs.¹² Citizens has previously invested in San Diego Gas & Electric Company (SDG&E)

⁷ Amended A.24-03-009 at 6.

⁸ Amended A.24-03-009 at 7.

⁹ Amended A.24-03-009 at 7.

¹⁰ Amended A.24-03-009 at 7.

¹¹ Amended A.24-03-009 at 7.

¹² Amended A.24-03-009 at 7.

transmission projects – the Sunrise and Sycamore investments – approved by this Commission and FERC in which Citizens uses after-tax profits for charitable contributions.¹³

1.3. Development, Coordination, and Option Agreement (DCOA)

On February 20, 2024, PG&E and Citizens executed a DCOA in which PG&E may offer Citizens up to five separate options to lease entitlements to PG&E high-voltage transmission projects.¹⁴ PG&E and Citizens amended and restated the DCOA on January 29, 2025.¹⁵ As defined in Appendix A of the California Independent System Operator Corporation (CAISO) Tariff, such Entitlements are “[t]he right of a Participating [Transmission Owner] obtained through contract or other means to use another entity’s transmission facilities for the transmission of Energy.”¹⁶ The Amended Application notes that PG&E remains responsible for the development, design, permitting, engineering, procurement, construction, operation, and maintenance of the projects.¹⁷ If PG&E and Citizens close on a given option, they enter into a 30-year Entitlements Lease for the applicable group of projects.¹⁸ The Amended Application states that Citizens’ leasehold interest in the entitlements of a project will be capped at 49.9 percent, with the transmission projects under the operational control of

¹³ Exhibit (Ex.) Citizens-01 at 2.

¹⁴ Amended A.24-03-009 at 8.

¹⁵ Amended A.24-03-009 at 8.

¹⁶ CAISO Fifth Replacement FERC Electronic Tariff, Appendix A, Entitlements.

¹⁷ Amended A.24-03-009 at 8.

¹⁸ Amended A.24-03-009 at 8.

CAISO for the 30-year term of the Entitlement Lease.¹⁹ At the end of the Entitlement Lease, the entitlement will revert back to PG&E free and clear of any liens or encumbrances.²⁰ According to the Amended Application, the aggregate value of the entitlements that may be leased to Citizens pursuant to the investment program is capped at \$1 billion, with the prepaid lease amount to be allocated roughly into five separate Entitlement Leases averaging \$200 million each.²¹

1.3.1. Project Selection

As stated in the DCOA, PG&E will provide Citizens with a list of transmission projects that may be included in each Entitlement Lease period.²² The Amended Application states that “[i]f Commission approval is not obtained until after 2025, the first Entitlements Lease will include *only* projects identified on the Master Project List.”²³ The Amended Application also states that “[g]iven uncertainties about transmission development and regulatory approval timing, PG&E may determine that it is prudent to include on a Project List for a future Option Period certain projects not included on the Master Project List. Such projects, like those on the Master Project List, must meet the project eligibility

¹⁹ Amended A.24-03-009 at 8.

²⁰ Amended A.24-03-009 at 8.

²¹ Amended A.24-03-009 at 8-9.

²² Development, Coordination, and Option Agreement (DCOA) Section 3.4.

²³ Amended A.24-03-009 at 11.

criteria specified in the DCOA.”²⁴ Conditions precedent must be met by both PG&E and Citizens before each investment period is initiated.²⁵

The project eligibility criteria described in the DCOA are:

- (1) the expected Citizens leasehold percentage interest of the capital costs of the proposed project must not already be included in PG&E’s existing FERC transmission rates for purposes of cost recovery.
- (2) the proposed project must be expected to be eligible for cost recovery through the CAISO High-Voltage Transmission Access Charge (TAC), which is a FERC-regulated transmission rate;
- (3) the proposed project must be expected to operate at 200 kilovolts (kV) or above; and
- (4) the proposed project must have received all regulatory approvals and permits necessary at that time, including, to the extent applicable, having undergone review under the California Environmental Quality Act (CEQA).²⁶

Additionally, all projects must achieve commercial operation before the start of the relevant lease and are projects that PG&E would put into service in the near-term regardless of whether the Investment Program is implemented.²⁷

1.3.2. Option

Citizens has the right to exercise Option Period 1 with irrevocable notice to PG&E before the Target Closing Date.²⁸ Within 30 days of Citizens exercising its

²⁴ Amended A.24-03-009 at 11-12.

²⁵ DCOA Section 4.3(a).

²⁶ DCOA at Section 3.4(a).

²⁷ Amended A.24-03-009 at 9.

²⁸ DCOA at Section 4.2(b)(i).

option, the parties will enter into a lease agreement, and Citizens will pay PG&E the prepaid lease amount.²⁹ If the lease agreement is not exercised within 30 days of the option being exercised, the option expires.³⁰

For subsequent Option Periods, PG&E has nine months from the close of the prior Option Period to send Citizens a list of projects for the next investment tranche, starting a 12-month period for the next option to be exercised.³¹ Option Periods 2 through 5 can be extended by mutual agreement.³² Alternatively, the Option Period is the nine months after the prior Option Period ends if either PG&E does not provide a list of investment tranche projects within nine months following the end of the prior Option Period or if Citizens did not exercise or close on its prior option.³³ Within these Option Periods, the parties have the same conditions precedent obligations as detailed in Option Period 1, as well as the same noticing and exercising and closing obligations and timelines.³⁴ The Amended Application states that the DCOA “provides the Parties with flexibility in the timing and sizing of, as well as the ability to skip, options. This flexibility is important so that PG&E can account for the complexity and multi-year nature of transmission development, tailor the multi-year Investment Program to focus on

²⁹ DCOA at Section 4.3(c)(i).

³⁰ DCOA at Section 4.3(c)(i).

³¹ DCOA at Section 4.3(c)(ii).

³² DCOA at Section 1.1.

³³ DCOA at Section 4.3(c).

³⁴ DCOA at Section 4.2(b)(ii).

projects that meet its operational and customer needs at the relevant time, and account for the timing of required regulatory approvals.”³⁵

1.3.3. Prepaid Rent and Percentage Share

Citizens will pay PG&E a lump sum as prepaid rent for Citizens’ 30-year leasehold interest in the Entitlements.³⁶ The lump sum will equal the sum of the project costs of each project subjected to the Entitlements Lease multiplied by Citizens’ leasehold percentage interest in the entitlements to such projects.³⁷ In exchange, Citizens will receive a leasehold percentage interest up to 49.9 percent in entitlements to a specified group of PG&E transmission projects for the duration of the 30-year Entitlement Lease.³⁸ In particular, Citizens will be entitled to the revenue associated with the use of its entitlements paid directly by CAISO through the High-Voltage TAC.³⁹

1.3.4. Rate Recovery

The Amended Application states that the capital component of Citizens’ rate for each Entitlement Lease will be capped and locked-in for the full 30-year term of that Entitlement Lease with a fixed cost of equity and levelized annual capital cost revenue requirements as determined by the Citizens Rate Model.⁴⁰ Citizens will need to seek approval from FERC to recover costs from

³⁵ Amended A.24-03-009 at 11.

³⁶ Amended A.24-03-009 at 10.

³⁷ Amended A.24-03-009 at 10.

³⁸ Amended A.24-03-009 at 10-11.

³⁹ Amended A.24-03-009 at 10.

⁴⁰ Amended A.24-03-009 at 26, Ex. PG&E-01 at 6-1, Ex. PG&E-01 at 8-24.

transmission rates, and PG&E and Citizens have agreed to cap the capital component of Citizens' FERC rate at an approximation of the rate PG&E could charge at the time of execution of an Entitlements Lease for the portion of the transmission projects subject to Citizens' leasehold interests.⁴¹ In particular, the Amended Application states that the parties will use the representative rate model in the Entitlements Lease to generate the approximate PG&E rate at the time the lease is executed.⁴² Finally, the Amended Application states that the transaction is structured to prevent double recovery by "(1) requiring that an amount equal to or greater than the expected Citizens leasehold percentage interest of the capital costs of each project must not already be included in PG&E's existing FERC transmission rates for purposes of cost recovery; (2) requiring that PG&E exclude from its transmission rates for cost recovery an amount of dollars equivalent to the total Prepaid Rent received from Citizens; and (3) requiring that PG&E exclude from PG&E's transmission rates for cost recovery an amount equivalent to the Additional Rent allocated to Citizens."⁴³ The Amended Application states that "[b]ecause of the size of the Investment Program ... Citizens has agreed not to recover in rates its upfront and ongoing incremental costs."⁴⁴

⁴¹ Amended A.24-03-009 at 28.

⁴² Amended A.24-03-009 at 28.

⁴³ Amended A.24-03-009 at 28.

⁴⁴ Amended A.24-03-009 at 6.

1.3.5. Operating and Maintenance Costs

The Amended Application states that PG&E will retain responsibility for the operations and maintenance (O&M) of the projects subject to the Entitlement Leases but that Citizens will be responsible for its proportionate share of the O&M costs and other expense costs that PG&E incurs for each of the projects.⁴⁵ Those costs include administrative and general activities; common, general, and intangible plant; the amortized cost of removing the projects; sales, use, payroll, and excise taxes; property taxes; and other costs that FERC authorizes.⁴⁶ PG&E will recover those costs from Citizens as Additional Rent and must exclude from its own transmission rates for cost recovery any such Additional Rent allocated to Citizens.⁴⁷ Finally, the Amended Application states that Citizens will recover its allocated Additional Rent through rates filed with FERC and subject to FERC approval.⁴⁸

1.3.6. Internal Revenue Code (IRC) Section 467

Citizens and PG&E agree to structure the transaction such that it receives treatment under Internal Revenue Code (IRC) Section 467. The Amended Application states that IRC Section 467 gives the Applicants more certainty in receiving the tax treatment they desire and to spread the income and expense items for tax purposes over the life of the applicable Entitlements Leases.⁴⁹

⁴⁵ Amended A.24-03-009 at 13.

⁴⁶ Amended A.24-03-009 at 13.

⁴⁷ Amended A.24-03-009 at 13.

⁴⁸ Amended A.24-03-009 at 13.

⁴⁹ Amended A.24-03-009 at 13-14.

1.4. Benefits to Low-Income and Disadvantaged Communities

The Amended Application states that Citizens has agreed to contribute 50 percent of net after-tax profits from the first \$200 million invested in the Entitlement Leases to direct bill-paying assistance to support families in PG&E's service territory, contribute 60 percent of net after-tax profits from the next \$200 million invested to direct bill-paying assistance to support families in PG&E's service territory, contribute 70 percent of net after-tax profits from the next \$200 million invested to direct bill-paying assistance to support families in PG&E's service territory, contribute 80 percent of net after-tax profits from the next \$200 million invested to direct bill-paying assistance to support families in PG&E's service territory, and contribute 90 percent of net after-tax profits from the final \$200 million invested to direct bill-paying assistance to support families in PG&E's service territory.⁵⁰ The Amended Application also states that "Citizens will contribute more than \$450 million to direct bill-paying assistance programs to support PG&E customers in need, including those in disadvantaged communities. Within a few years, these contributions could provide bill-paying assistance for more than 54,000 additional households annually at the assumed benefit level for the Relief for Energy Assistance through Community Help ("REACH") program or for more than 25,500 PG&E customers at the full California Alternate Rates for Energy ("CARE")-level support."⁵¹ PG&E also indicates that the assistance will focus on "overlapping disadvantaged, low-

⁵⁰ Amended A.24-03-009 at 14.

⁵¹ Amended A.24-03-009 at 4.

income, and affordability-challenged communities, such as California’s Central Valley.”⁵²

In testimony, PG&E states that “Citizens is aware of two existing customer bill-paying assistance programs currently available to PG&E customers: The Relief for Energy Assistance through Community Help program (REACH) and the Low-Income Home Energy Assistance Program (LIHEAP). Citizens expects that it will work within one or more of these existing ratepayer assistance programs, or perhaps other bill-paying assistance programs that may exist or which may be developed in the future.”⁵³ Citizens witness Peter Smith states in rebuttal testimony that “Citizens will partner with the network of exiting and established Community Action Agencies that currently administer LIHEAP in PG&E’s service territory” and that “Citizens will provide these organizations with semi-annual funding in proportion to the population of PG&E’s electric customers they serve.”⁵⁴ Smith also states “[t]he annual benefit for each qualifying household will be \$300, similar to the current benefit provided by the REACH program.”⁵⁵

1.5. Procedural Background

On March 21, 2024, Resolution 176-3543 designated A.24-03-009 a ratesetting proceeding.⁵⁶ Citizens was granted party status on March 26, 2024,

⁵² Amended A.24-03-009 at 25.

⁵³ Ex. PG&E-01 at 5-13.

⁵⁴ Ex. Citizens-01 at 10.

⁵⁵ Ex. Citizens-01 at 10.

⁵⁶ Resolution ALJ 176-3543 at 2.

and The Utility Reform Network (TURN) was granted party status on March 27, 2024. On April 12, 2024, a motion on preemptory challenge for reassignment of the Administrative Law Judge assigned to the proceeding filed by TURN was granted. TURN and the Public Advocates Office of the California Public Utilities Commission (Cal Advocates) submitted protests to the Application on April 15, 2024. On April 24, 2024, Citizens filed a motion for leave to file a reply to protests and a motion to shorten time for responses to protests. PG&E filed a reply to the protests on April 25, 2024, and Cal Advocates filed a response to PG&E's reply on April 30, 2024. On May 1, 2024, an assigned ALJ ruling denied Citizens' motion for leave to file a reply to protests.

On May 13, 2024, Cal Advocates filed a motion to dismiss the Application. On June 4, 2024, PG&E, Citizens, and TURN filed responses to the motion. On June 18, 2024, Cal Advocates filed a reply in support of its own motion to dismiss the Application. A July 23, 2024 ALJ ruling granted the Center for Accessible Technology's (CforAT) motion for party status. A pre-hearing conference was held on July 26, 2024. ALJ Jack Chang was co-assigned to the proceeding on October 16, 2024.

On November 18, 2024, PG&E filed a motion to hold the proceeding in abeyance so that it could file an Amended Application. TURN and Cal Advocates filed responses to the motion on December 4, 2024, and an ALJ ruling granted the motion on December 5, 2024. PG&E filed an Amended Application on January 31, 2025. TURN and Cal Advocates filed protests to the Amended Application on March 3, 2025, and CforAT filed a response to the

Amended Application on March 3, 2025. PG&E filed a reply to the protests and response to the Amended Application on March 13, 2025.

On April 2, 2025, an ALJ ruling directed PG&E to answer six questions about the Amended Application, and PG&E timely filed its response to the ruling on April 11, 2025. A second pre-hearing conference was held on April 14, 2025. On April 28, 2025, an ALJ ruling granted the National Diversity Coalition's (NDC) motion for party status.

A scoping ruling was issued in the proceeding on May 6, 2025 that defined the issues to be addressed in the proceeding and the proceeding schedule. The scoping ruling also denied Cal Advocates' motion to dismiss the application. On June 18, 2025, PG&E filed a motion to modify the proceeding schedule. Cal Advocates and CforAT responded to the motion on June 27, 2025. A June 30, 2025 ruling partially granted PG&E's motion to modify the proceeding schedule.

A status conference was held in the proceeding on September 16, 2025. As ordered by a September 22, 2025 ALJ ruling, PG&E filed a stipulated motion on October 2, 2025 to identify and admit exhibits in lieu of evidentiary hearings. An October 15, 2025 ALJ ruling granted PG&E's motion to admit evidence.

PG&E, Citizens, and TURN filed Opening Briefs on October 24, 2025, and the National Diversity Coalition filed an Opening Brief on October 27, 2025. On November 14, 2025, Citizens, TURN, PG&E, CforAT, and Cal Advocates filed Reply Briefs.

1.6. Submission Date

This matter was submitted on November 14, 2025 upon submission of Reply Briefs.

2. Discussion

2.1. Standard of Review

Pub. Util. Code Section 851 provides in relevant part that:

“A public utility...shall not sell, lease, assign, mortgage, or otherwise dispose of, or encumber the whole or any part of its...line, plant, system, or other property necessary or useful in the performance of its duties to the public,...without first having...secured an order from the commission authorizing it to do so for qualified transactions valued above five million dollars...”

Pub. Util. Code Section 851 does not specify the standard by which the Commission is to review such requests. In previous Commission decisions, the Commission has a long-standing policy to apply the standard of “not adverse to the public interest” as a standard of review for applications requesting approval under Pub. Util. Code Sec. 851. However, in addition to the standard of “not adverse to the public interest,” previous Commission decisions also evaluated whether the proposed transactions benefit the public interest. D.09-07-035 states, “In reviewing Section 851 applications, the Commission historically looked to public interest as its guiding post. While the minimal standard we consider in our review is that the transaction being proposed in a particular application is ‘not adverse to the public interest,’ we do foster and encourage transactions...where the transaction is also ‘in the public interest.’”⁵⁷

⁵⁷ Decision (D.) 09-07-035 at 13.

Additionally, D.09-04-013 states, “The primary question for the Commission in Section 851 proceedings is whether the proposed transaction serves the public interest: ‘The public interest is served when utility property is used for other productive purposes without interfering with the utility’s operations or affecting service to utility customers.’”⁵⁸ Finally, D.24-05-004 applies a standard of review of “in the public interest” for “novel and unprecedented transactions,” stating in that case:

“The proposed transaction is novel and unprecedented and does not represent a routine Section 851 application. The Commission has previously explained that it sets a high bar for determining that novel transactions meet the ‘public interest’ and ‘tangible benefits’ standards. The Commission has also found that a heightened standard of review should apply to an application, which potentially impacted rates and the Commission’s jurisdiction, among other factors.”⁵⁹

In this Application, PG&E states that “[t]he Commission has explained that it ‘has a long-standing policy to apply the standard of “not adverse to the public interest” as a standard of review for applications requesting approval under Pub. Util. Code § 851.’ To evaluate whether a proposed transaction meets this standard, the Commission examines whether the transaction ‘will 1) negatively impact the delivery of electric service to the public, and 2) allow the public to continue receiving electric service at fair and reasonable rates.’ The

⁵⁸ D.09-04-013 at 6.

⁵⁹ D.24-05-004 at 9.

Commission then evaluates whether the proposed transaction ‘will provide benefits to the public interest.’”⁶⁰

PG&E lists what it claims are the transaction’s benefits, stating that: It provides support to PG&E for needed infrastructure investment and PG&E’s financial health; it provides direct bill-paying assistance for PG&E customers in need; it provides rate certainty and stability; the lease projects will be fully depreciated at the end of the lease terms; and the transaction brings in a new, non-utility participant in transmission development in California.⁶¹

Additionally, PG&E states in its Reply Brief that “[t]he focus of the novelty inquiry is whether the *type* of transaction (here, a bilateral contract) and the *material terms* of the transaction (lease length, operational terms, capped rate based on a representative rate model, charitable contributions, etc.) are novel, because only these types of novelties have the potential to put ratepayers at risk and warrant a heightened showing on the part of the applicant.”⁶²

Citizens states in its Opening Brief that “adverse to the public interest” “is the legal standard the Commission has consistently applied for similar transactions, for Citizens’ past transactions with SDG&E (Sunrise and Sycamore, D.11-05-048 and D.19-03-024, respectively), and for the SCE- Morongo transaction (D.16-08-017), and it is the appropriate standard of review for this

⁶⁰ Amended A.24-03-009 at 20.

⁶¹ Amended A.24-03-009 at 21-27.

⁶² PG&E Reply Brief at 7-8.

transaction.”⁶³ Citizens states that differences between this Amended Application and previous Citizens transactions and the Southern California Edison (SCE)-Morongo transaction “do not change the underlying structure of the deal and do not make it novel and unprecedented. Rather, these differences between this Investment Program and the Sunrise and Sycamore transactions should be regarded as enhancements, because they provide *additional* benefits and protections to customers, and they do so without introducing adverse impacts.”⁶⁴ Citizens lists what it says are this Application’s “affirmative customer benefits”: More than \$450 million in direct bill-paying assistance to PG&E’s at-risk customers; expected reduction in costs for all PG&E customers by alleviating some portion of unpaid bills and arrearages; the representative rate model being designed to ensure Citizens’ participation does not increase transmission rates; and the fixed and levelized design of Citizens’ rate.⁶⁵

NDC states in its Opening Brief that the Commission should adopt the “not adverse to the public interest” standard of review “to demonstrate that there are no negative results for approving this transaction,” which “allows PG&E and Citizens to flexibly demonstrate the actual benefits to low-income customers provided by Citizens through this investment proposal.”⁶⁶ NDC then

⁶³ Citizens Opening Brief at 14.

⁶⁴ Citizens Opening Brief at 16.

⁶⁵ Citizens Opening Brief at 17-18.

⁶⁶ NDC Opening Brief at 7.

points to the \$450 million in ratepayer assistance promised in the Application as a benefit to the public and ratepayers.⁶⁷

TURN, Cal Advocates, and CforAT argue that the appropriate standard of review is whether the Amended Application is “in the public interest.” In its Opening Brief, TURN states that “[d]espite PG&E’s attempt to characterize the Proposed Transaction as one similar to two previous transactions between San Diego Gas & Electric Company (‘SDG&E’) and Citizens, the reality is that the Proposed Transaction is novel and unprecedented.”⁶⁸ TURN continues:

“Not only does the magnitude of the proposed transaction differ drastically than the previous two transactions (37 times of one transaction and 12 times the other transaction), the Proposed Transaction is also novel and unprecedented because it is seeking approval for lease entitlements to transmission projects *that have yet to be identified or approved* -- PG&E has provided a list of 51 potential projects, and everything is ‘subject to adjustment by PG&E.’”⁶⁹

Similarly, Cal Advocates states in its Opening Brief that “PG&E’s proposed transaction affects rates, and it is not a ‘routine’ Section 851 transaction to which the minimal standard should apply. PG&E’s proposed transaction is novel because it does not identify a specific utility asset to transfer. ... Thus, the projects that will be the subject of Entitlements Leases are uncertain - even for the first Entitlements Lease.”⁷⁰ Cal Advocates also states: “In addition, the

⁶⁷ NDC Opening Brief at 8.

⁶⁸ TURN Opening Brief at 2.

⁶⁹ TURN Opening Brief at 2.

⁷⁰ Cal Advocates Opening Brief at 3-4.

heightened public interest standard should apply because California ratepayers would bear the costs and risks of PG&E's proposed transaction. The fact that Citizens will submit its rates in Federal Energy Regulatory Commission (FERC) applications does not change the fact that the Commission's decision in this Application will affect ratepayers' rates."⁷¹

Finally, CforAT states that the standard of review should be whether the Amended Application is in the public interest due to the "unprecedented" scale of the proposal, the "undefined" projects under consideration, and that "[t]he economic conditions that will be in place for the later tranches of the proposed transaction are unknown."⁷²

The Commission finds that the appropriate standard of review for this Amended Application is whether it is in the public interest. We agree with TURN, Cal Advocates, and CforAT that the Amended Application is novel and unprecedented for a Section 851 application due to the undefined projects in each of the five Option Periods and the absence of a defined Citizens' revenue requirement for any of the Option Periods. That absence of information about the Option Periods is a core distinction between this Application and the Sunrise and Sycamore applications involving Citizens and SDG&E, where in the cases of those applications, the Commission could evaluate specific, defined projects and compare Citizens' estimated revenue requirements with SDG&E's during those application periods. In addition, as Cal Advocates states in its Opening Brief, the

⁷¹ Cal Advocates Opening Brief at 4.

⁷² CforAT Opening Brief at 8-9.

outcome of this Application will impact ratepayers' rates. PG&E states in its Reply Brief "the materials terms of the transaction" such as the "capped rate based on a representative rate model" should form part of the focus of a novelty examination.⁷³ In this case, the Amended Application provides no specific capped rate to consider for any of the Option Period tranches, which again is a significant difference from the Sunrise and Sycamore applications.

As such, we agree with Cal Advocates that "[u]nder the heightened standard of review, the Applicant bears the burden to affirmatively demonstrate that the proposed transaction will serve the public interest. In addition, the Commission must comply with its obligations to protect ratepayers and the public and ensure just and reasonable rates."⁷⁴ As Cal Advocates states, the Commission "should require PG&E to affirmatively demonstrate that its proposed transaction, the DCOA, is just and reasonable and will serve the public interest."⁷⁵ This decision adopts that criteria for determining whether the Amended Application is in the public interest.

However, while reviewing all five Option Periods together, under the facts at hand, in one public interest test requires a heightened standard of review we do not find that reviewing each Option Period individually requires a heightened standard. Individual Option Period reviews are not new and novel and PG&E's individual Option Period Tier 3 Advice Letters will include

⁷³ PG&E Reply Brief at 7-8.

⁷⁴ Cal Advocates Opening Brief at 3.

⁷⁵ Cal Advocates Opening Brief at 3.

information that is currently lacking. Thus, as stated in Section 2.4 the Commission will evaluate each Option Period Tier 3 Advice Letter to determine whether “this transaction will not be less favorable than the ratepayer impact of PG&E paying for these same transmission projects through its usual practice of including the costs on its balance sheet and recovering those costs through rates,” as described in the Assigned Commissioner’s Scoping Memo and Ruling in this proceeding.⁷⁶

2.2. Ratepayer Assistance

In testimony about the Investment Program’s benefits, PG&E highlights more than \$450 million in expected direct bill-paying assistance for PG&E customers in need, stating that the Commission found in Citizens’ transactions with SDG&E that Citizens’ charitable commitments provide “a significant public benefit” that “not only benefits disadvantaged and low-income communities ... but also supports the state’s implementation of Senate Bill 350” by promoting clean energy programs, achieving greenhouse gas reduction goals, and widening access for low-income and disadvantaged communities to those programs.⁷⁷ Citizens Chief Executive Officer (CEO) Peter Smith states in PG&E-submitted testimony that “[h]ere, Citizens’ proposed investments in PG&E’s transmission system will have the same public interest purpose but will be at a substantially higher investment value of up to \$1.0 billion in total. ... All these benefits will be used to provide direct bill-paying assistance to PG&E customers in need. This is

⁷⁶ Assigned Commissioner’s Scoping Memo and Ruling at 4.

⁷⁷ Ex. PG&E-01 at 1-7 to 1-8.

an extraordinary opportunity for the Commission to take meaningful action to address affordability.”⁷⁸

Citizens witness Susan F. Tierney testified that “Citizens’ commitment to provide an increasing share of its after-tax cash flow under the Investment Program to provide bill-paying assistance for at-risk PG&E customers will provide meaningful financial benefits to tens of thousands of PG&E customers every year over an approximately 35-year period.”⁷⁹ In her testimony, Tierney also notes that as part of this Application, Citizens has agreed to forego any rate recovery for its own internal administrative costs whereas Citizens was allowed to recover its administrative costs in the previous SDG&E transactions.⁸⁰ In an April 11, 2025 response to an assigned ALJ ruling seeking additional information about the Amended Application, PG&E stated that some amount of Citizens’ profits not donated to low-income ratepayer assistance would support “Citizens Energy’s ongoing administrative and general corporate costs, unrelated and not specific to this PG&E project, which would allow it to operate and expand its business activities, including the transmission infrastructure business (such as this proposal with PG&E and ventures in other regions) and its low-income community solar business.”⁸¹

⁷⁸ Ex. PG&E-01 at 5-19.

⁷⁹ Ex. TURN-02 at 12.

⁸⁰ Ex. Citizens-02 at 10.

⁸¹ PG&E April 11, 2025 Response to ALJ Ruling at 1-2.

NDC states that “the substantial contribution is not a vague promise, but a contractual obligation with a clear and definite commitment.”⁸² NDC adds that “there is constant worry among the low-income communities that the funding for these programs will either cease and severely get depleted in the coming years. The Citizen’s commitment of 450 million dollars in these programs over 30 years ensures that these programs have a stable funding source that could be used to alleviate the utility affordability crisis faced by the low income and marginalized customers of PG&E in the Central Valley of California.”⁸³ In determining how to allocate the ratepayer assistance, NDC suggests that community-based organizations play a role in determining how Citizens distributes ratepayer assistance and that PG&E report out annually how much ratepayer assistance Citizens has distributed through CARE, REACH, and LIHEAP.⁸⁴

CforAT highlights what it says are information gaps in the Amended Application regarding the ratepayer assistance plan, stating in testimony that “substantial information regarding the total and distribution plan for charitable contributions is still unknown and underdetermined, making it difficult to evaluate the impact of this potential public benefit and the extent to which it may provide meaningful assistance to some number of PG&E’s low-income customers.”⁸⁵ CforAT also states that Citizens may not invest the full \$1 billion

⁸² NDC Opening Brief at 8.

⁸³ NDC Opening Brief at 8-9.

⁸⁴ NDC Opening Brief at 14-16.

⁸⁵ Ex. C4AT-01 at 12.

under the Investment Program, so the full ratepayer assistance amount is unknown.⁸⁶ On this point, Citizens states in its Reply Brief that “Citizens intends to exercise every option PG&E extends to Citizens, and to invest the full \$1 billion – but even in the event that Citizens is unable to fund the full \$1 billion investment, Citizens’ participation in the Investment Program will still generate significant and meaningful customer benefits.”⁸⁷

Citizens also states: “By its plain terms, the contractual agreement between PG&E and Citizens imposes on Citizens a clear contractual obligation to provide the proposed charitable benefits, and PG&E for its part has an equally clear right to enforce this contractual commitment. The Commission, in turn, has ample authority to oversee PG&E’s administration of the contract.”⁸⁸

CforAT states that the size of the proposed ratepayer assistance – more than 54,000 additional households annually at the REACH program’s assumed benefit level or full CARE-level support for more than 25,500 PG&E customers amounting to \$16.3 million annually – is “a very modest annual amount” compared to the CARE program.⁸⁹ Citizens witness Susan Tierney responds in rebuttal testimony that “[t]he ratepayer assistance Citizens will provide under the proposed Investment Program ... will make a real difference to the tens of thousands of PG&E customers in need of bill-paying assistance, and it will not

⁸⁶ Ex. C4AT-01 at 12.

⁸⁷ Citizens Reply Brief at 17.

⁸⁸ Citizens Reply Brief at 6.

⁸⁹ Ex. C4AT-01 at 13.

otherwise happen under traditional ratemaking for PG&E's transmission investment."⁹⁰

Regarding Citizens' plans to distribute the assistance, CforAT cites Citizens CEO Peter Smith's testimony that "Citizens expects that it will work within one or more of these existing ratepayer assistance programs (LIHEAP or REACH), or perhaps other bill paying assistance programs that may exist or which may be developed in the future."⁹¹ Responding to that statement, CforAT counters that: "Citizens has not shared any specific plans for distribution or criteria for deciding upon a method for delivering this bill-paying assistance."⁹² CforAT also cites Citizens' response to a CforAT data request about its plan for distributing ratepayer assistance, with Smith responding, "Citizens does not have a formalized or documented process for this type of outreach and engagement."⁹³ Smith also states in its response to CforAT that Citizens has responded to several organizations that have expressed interest in supporting the Investment Program but that "[n]o agreements, frameworks or processes for administering the Citizens bill paying assistance have been structured – nor will they, until the transaction has secured Commission approval."⁹⁴ Finally, CforAT states amid uncertainty about how Citizens will distribute the ratepayer

⁹⁰ Ex. Citizens-02 at 3.

⁹¹ Ex. PG&E-01 at 5-13.

⁹² Ex. C4AT-01 at 14.

⁹³ Ex. C4AT-01-Atch11 at 2.

⁹⁴ Ex. C4AT-01-Atch11 at 3.

assistance, the Commission should consider “the need for direct and local supervision and oversight of any such support for PG&E customers.”⁹⁵

TURN argues in testimony that the Commission cannot enforce Citizens’ promises to deliver ratepayer assistance since it has no jurisdiction over Citizens. TURN asserts that “[t]he Commission will also not be able to enforce the terms of the agreement and levy penalties on Citizens, if necessary. If Citizens does not follow through on its charitable commitments, the only remedy available would be contractual; PG&E would need to take legal actions. Should Citizens decide that it will not pay the \$450 million in ratepayer benefits, elect to pay a different, lower amount or even a different schedule of payments, the Commission and ratepayers have little recourse.”⁹⁶ Cal Advocates concurs, pointing out that “Citizens is not a California-regulated utility, which limits Commission oversight of Citizens’ administration of PG&E’s proposed direct bill-pay assistance program.”⁹⁷ TURN suggests that the Commission require PG&E shareholders to backstop the promised charitable contributions if Citizens fails to deliver its promised ratepayer assistance.⁹⁸ TURN also claims that the ratepayer assistance will only benefit customers whose incomes are less than 200 percent above federal poverty guidelines if the assistance is distributed through CARE or REACH, which would leave out “a significant number of households that are

⁹⁵ Ex. C4AT-01 at 18.

⁹⁶ Ex. TURN-01E at 16.

⁹⁷ Cal Advocates Opening Brief at 17.

⁹⁸ TURN Opening Brief at 15.

struggling with arrearages and high monthly bills and will nonetheless be funding Citizen's contribution."⁹⁹

In its Reply Brief, Citizens opposes suggestions by parties to more closely monitor or guide Citizens' charitable giving. Citizens asserts that:

"Proposals by the other parties to impose yet additional oversight requirements, beyond what the Commission has required of Citizens in prior cases, have not been shown to be necessary. These proposals would add unwarranted costs that will diminish the amount of bill-paying assistance available for PG&E customers in need (because these costs would directly reduce the after-tax cash flows available for bill-paying assistance)."¹⁰⁰

Finally, Cal Advocates argues that the proposed transaction would raise rates for ratepayers not directly benefiting from the program and that "the upward pressure on rates that will result from PG&E's proposed transaction is regressive and counterproductive to Citizens' purported bill-assistance benefits."¹⁰¹

The Commission appreciates PG&E and Citizens' assurances that they intend to distribute the full amount of ratepayer assistance promised through the Entitlement Leases to PG&E ratepayers in need. With proper oversight, the promised ratepayer assistance could provide benefits to ratepayers at a time of heightened affordability challenges. At the same time, we share CforAT and TURN's concerns that Citizens has not provided enough details to show that it

⁹⁹ Ex. TURN-01E at 16-17.

¹⁰⁰ Citizens Reply Brief at 6.

¹⁰¹ Cal Advocates Opening Brief at 18.

will deliver the ratepayer assistance in a manner that is efficient, administratively transparent, and aligned with the Commission's regulatory priorities. PG&E and Citizens have also provided seemingly contradictory details in testimony about how the ratepayer assistance will be delivered. As quoted previously, Citizens CEO Smith has testified that the ratepayer assistance could be delivered through REACH, LIHEAP, or yet-to-be-identified programs.¹⁰² However, Smith also states in testimony: "Citizens will partner with the network of existing and established Community Action Agencies that currently administer LIHEAP in PG&E's service territory."¹⁰³ Compared to ratepayer assistance provided by Citizens in the Sunrise and Sycamore agreements, Citizens proposes to deliver a far greater amount of assistance – more than \$450 million – over 30 years. Approving that amount of assistance without consistent, or even minimal, details about the organizations that will provide the assistance, which communities they will assist, and the nature of the ratepayer relief provided would not ensure that ratepayer assistance funds are being spent transparently and reasonably. Reasonable due diligence reporting by PG&E can help the Commission confirm how and whether Citizens follows through on the charitable activities it details in broad strokes in this Application. The Commission appreciates PG&E's proposal to provide informational updates on the ratepayer assistance program. However, we believe transparent reporting about Citizens' ratepayer assistance

¹⁰² Ex. PG&E-01 at 5-13.

¹⁰³ Ex. Citizens-01 at 10.

programs in its Option Period Tier 3 Advice Letters must also be provided to inform the Commission's deliberations of each Option Period.

Therefore, while we find that the ratepayer assistance program in concept provides ratepayer benefits, the Commission will decide whether to authorize Citizens' ratepayer assistance plan through the Tier 3 Advice Letter process PG&E has proposed in the Amended Application, starting with a Tier 3 Advice Letter for Option Period 1. As part of the Option Period 1 Advice Letter, PG&E must provide the following details about how Citizens plans to distribute ratepayer assistance in the first Option Period:

- a. Name of any organizations that will deliver ratepayer assistance through Citizens;
- b. Description of how Citizens will reach out to potential organizations that could deliver ratepayer assistance prior to choosing which organizations to contract with;
- c. The incorporation status of the organizations delivering ratepayer assistance through Citizens;
- d. Demographic information about ratepayers assisted such as geographic location, income levels, and participation in other ratepayer assistance programs;
- e. Description of how the ratepayer assistance delivered by each organization meets the Internal Revenue Service's definition of "charitable purpose";¹⁰⁴
- f. Contracts or other legal documents establishing the organizations' participation in the Citizens-funded ratepayer assistance programs;
- g. Description of the ratepayer assistance programs through which the ratepayer assistance is being delivered,

¹⁰⁴ Internal Revenue Code Section 501(c)(3).

- including their target recipients, program scope of activities, and identify of program administrator or administrators;
- h. Description of how the ratepayer assistance programs advance the Commission's Environmental and Social Justice Action Plan.

For Option Periods 2 through 5, PG&E must provide the above information about planned ratepayer assistance for the Option Period that PG&E is seeking approval for in its Tier 3 Advice Letter as well as an accounting of how Citizens spent ratepayer assistance funds during the previous Option Period. The ratepayer assistance information that PG&E must provide about the previous Option Period are:

- a. The total amount of ratepayer assistance delivered, or contracted to be delivered, in the previous Option Period;
- b. A complete list of organizations that delivered ratepayer assistance through Citizens as part of the previous Option Period, assistance amounts coordinated by each organization, as well as the incorporation status of organizations delivering that ratepayer assistance;
- c. The programs through which ratepayer assistance was delivered as part of the previous Option Period and description of the programs' scope of activities;
- d. Description of how Citizens reached out to organizations that could deliver ratepayer assistance prior to choosing which organizations to contract with;
- e. Demographic information about ratepayers assisted such as geographic location, income levels, and participation in other ratepayer assistance programs;

- f. Description of how the ratepayer assistance delivered by each organization meets the Internal Revenue Service's definition of "charitable purpose"¹⁰⁵
- g. Description of the ratepayer assistance programs through which the ratepayer assistance was delivered, including their target recipients, program scope of activities, and identify of program administrator or administrators;
- h. Description of how the ratepayer assistance programs advance the Commission's Environmental and Social Justice Action Plan.

Additional data to be provided can be found in Appendix A of this decision. The Commission will evaluate each Option Period's ratepayer assistance plan as detailed in PG&E's Tier 3 Advice Letter for that Option Period based on the following criteria: Whether the ratepayer assistance is distributed through tax-exempt organizations as described in Internal Revenue Code Section 501(c)(3), whether the assistance will be used exclusively for charitable purposes as described in Internal Revenue Code Section 501(c)(3), whether the assistance will be used for any political campaigns on behalf of or in opposition to any candidate for public office or otherwise influencing the outcome of any specific public election as described in Internal Revenue Code Section 4945(d)(2), whether the selection, prioritization, or exclusion of organizations receiving the assistance advances the Commission's Environmental and Social Justice Plan, whether the assistance is used for a "political influence activity" as defined by Public Utilities Code Section 748.3(a)(6(A), whether the organizations distributing the assistance have entered into any agreement, oral or written, to

¹⁰⁵ Internal Revenue Code Section 501(c)(3).

the contrary, and whether the ratepayer assistance efficiently delivers ratepayer affordability benefits with overhead spending equivalent to common thresholds budgeted for non-profit organizations. That analysis will help the Commission evaluate each Option Period Tier 3 Advice Letter to determine “what impacts would the transfer of Citizens’ leasehold interest(s) to a third party have to the benefits received by disadvantaged and vulnerable communities” through each Option Period’s proposed ratepayer assistance program as well as through the Entitlement Lease’s estimated revenue requirement.¹⁰⁶

This decision therefore finds that the ratepayer assistance program in concept provides ratepayer benefits and is in the public interest but must still be approved via each Option Period to provide sufficient transparency and accountability.

2.3. Cost Recovery

PG&E states in its Opening Brief that the Investment Program proposed in the Amended Application “is designed to ensure that customers will pay no more for the project transmission investments than they would have paid had PG&E financed the projects itself.”¹⁰⁷ PG&E points out that Citizens’ recovery of capital costs for each Entitlement Lease is capped at the PG&E representative rate, which is calculated using PG&E’s own FERC-approved cost of capital and capital structure in effect at the time of execution of each Entitlements Lease under the Investment Program.¹⁰⁸ As such, PG&E claims that its representative

¹⁰⁶ Assigned Commissioner’s Scoping Memo and Ruling at 6.

¹⁰⁷ PG&E Opening Brief at 27.

¹⁰⁸ PG&E Opening Brief at 27.

rate approximates the capital-based revenue requirement PG&E would expect to have recovered if PG&E had financed the projects itself.¹⁰⁹ PG&E asserts that the model “calculates a levelized annual capital-related revenue requirement over a 30-year lease term, using cost-of-service ratemaking principles, and discounts the sum of the capital-related revenue requirements over the composite average service life for PG&E’s electric transmission assets (55 years) at PG&E’s weighted cost of capital.”¹¹⁰ PG&E states that “[t]he form of Entitlements Lease expressly waives Citizens’ right to seek a higher rate at FERC than the PG&E Representative Rate, except in the event of a change in law affecting taxes or similar exogenous costs.”¹¹¹

PG&E states that its representative rate model calculates the capital-related revenue requirement of the transmission projects under the scenario in which Citizens does not participate in the Investment Program.¹¹² The capital-related revenue requirement consists of a return on rate base, depreciation on plant, and income taxes, with inputs to be determined at or within five business days prior to the execution date of the relevant Entitlement Lease.¹¹³ PG&E also states that Citizens will additionally calculate a Citizens Base Case that assumes Citizens does participate in the Investment Program by exercising its first Option

¹⁰⁹ PG&E Opening Brief at 27.

¹¹⁰ PG&E Opening Brief at 27.

¹¹¹ PG&E Opening Brief at 28.

¹¹² Ex. PG&E-01 at 3-7.

¹¹³ Ex. PG&E-01 at 3-7.

Period.¹¹⁴ That Base Case uses Citizens' own ratemaking methodology to produce an illustrative Citizens Capped Rate.¹¹⁵ The Citizens Rate Model calculates a levelized, fixed Transmission Revenue Requirement (TRR) over the 30-year term for each Entitlements Lease using inputs finalized at the time of lease execution, including return on rate base, amortization of the capitalized lease and capped financing costs, and income taxes.¹¹⁶ The model sums the net present value (NPV) of the annual TRRs to calculate an aggregate NPV for the 30-year period.¹¹⁷ A levelized annual TRR is then derived to establish a fixed capital cost for the entire term of the Entitlements Lease.¹¹⁸ In rebuttal testimony, Smith claims that "before Citizens Pacific can recover any of its costs through the CAISO Transmission Access Charge, FERC will need to review and approve Citizens Pacific's Transmission Owner Tariff, which includes its annual revenue requirement, through a Federal Power Act Section 205 filing. The Section 205 filing will require Citizens Pacific to show that its requested ROE is just and reasonable."¹¹⁹

¹¹⁴ Ex. PG&E-01 at 3-7.

¹¹⁵ Ex. PG&E-01 at 3-7.

¹¹⁶ Ex. PG&E-01 at 6-3.

¹¹⁷ Ex. PG&E-01 at 6-3.

¹¹⁸ Ex. PG&E-01 at 6-3.

¹¹⁹ Ex. Citizens-01 at 13.

PG&E states that Citizens will use the lower of the PG&E Representative rate or the Citizens Uncapped Rate for purposes of capital cost recovery in this transaction.¹²⁰

In its April 11, 2025 Reply to an assigned ALJ Ruling seeking additional information, PG&E concedes that it had not conducted a cost-benefit analysis of the transaction but that it considered “the impact to the utility’s credit metrics, the value of diverse capital sources, the utility’s need for significant amounts of capital in the near-term, and that internally generated cash flows are insufficient to fund PG&E’s current and upcoming capital needs.”¹²¹

Citizens CEO Peter Smith testified that the fixed, levelized rate structure is essential to Citizens’ ability to finance transactions because the revenue from the Investment Program will be Citizens Pacific’s only revenue source.¹²² Smith asserts that using a fixed and levelized cost recovery allows Citizens to match the incoming revenue with its debt service obligations, which he says is a necessary component to finding lenders willing to invest on favorable terms.¹²³ Finally, Smith states that it is “unlikely” that lenders would provide Citizens with necessary capital if Citizens’ capital cost recovery was subjected to periodic adjustment or true-up.¹²⁴ Citizens witness Susan Tierney states that the fixed, levelized 30-year rate structure “will provide positive rate-stability and hedging

¹²⁰ Ex. PG&E-01 at 3-6 to 3-7.

¹²¹ PG&E April 11, 2025 Response to ALJ Ruling at 2.

¹²² Ex. Citizens-01 at 16.

¹²³ Ex. Citizens-01 at 16.

¹²⁴ Ex. Citizens-01 at 16.

benefits to California's CAISO transmission system ratepayers in the face of current and potential future volatility in capital markets going forward."¹²⁵

TURN argues in its Opening Brief that PG&E's proposed Entitlement Leases will harm ratepayers because PG&E is overpaying Citizens for investment capital that it could obtain more cheaply through traditional debt or at the same cost of debt and equity on its balance sheet.¹²⁶ TURN also argues that the deal reduces PG&E's available cash flow to support operations because it assigns a portion of equity earnings to Citizens that would otherwise go to PG&E while not reducing PG&E's debt load or improving PG&E's credit ratings.¹²⁷ In particular, TURN estimates that the internal rate of return (IRR) to Citizens associated with an illustrative \$200 million investment is more than 9 percent based on the annual revenue requirement from Citizens' 30-year levelized modeling.¹²⁸ By comparison, TURN points out that PG&E's cost of new long-term debt in 2025 and 2026 is between 6.0 percent and 6.5 percent, according to testimony in PG&E's 2026 Cost of Capital proceeding (A.25-05-010).¹²⁹ TURN estimates that PG&E proposes to compensate Citizens with a return that is almost 400 basis points higher than PG&E's own rate of return.¹³⁰ As a result, TURN states that Citizens' illustrative analysis results in a levelized annual lease

¹²⁵ Ex. Citizens-02 at 4.

¹²⁶ TURN Opening Brief at 4.

¹²⁷ TURN Opening Brief at 4.

¹²⁸ Ex. TURN-01E at 6.

¹²⁹ Ex. TURN-01E at 6.

¹³⁰ Ex. TURN-01E at 8.

entitlement cost to ratepayers of \$20.436 million per year – or \$5 million more per year than the levelized cost of securitized debt if taken out by PG&E for a \$200 million investment tranche.¹³¹ TURN estimates the proposed Entitlement Leases would cost ratepayers \$740 million more over the life of the five Option Periods compared to financing the projects with securitized debt.¹³² Additionally, TURN asserts that Citizens would be paid directly from CAISO and would face repayment risk more in-line with that of the utility's securitized bondholders while facing no liability for wildfires, poor operational performance, or regulatory disallowances since the investment program would include only assets already approved for recovery.¹³³

In its Opening Brief, TURN recommends that the Commission deny PG&E's Amended Application but states that if the Commission authorizes the transaction, the rate of return to Citizens should be no higher than 6.93 percent, which TURN states aligns with Citizens stating "in discovery that a rate of return of 6.93% would be sufficient for it to obtain a 1.25 debt service coverage ratio, which is typically required for this type of transaction by its lenders."¹³⁴ In Citizens' response to a TURN data request, Citizens stated that "[u]sing the illustrative Citizens Rate Model submitted with the Amended Application, mathematically speaking, a 6.93% rate of return (8.3% return on equity and a 5.73% cost of debt) would yield a 1.25 (debt service coverage) ratio. ... In our

¹³¹ Ex. TURN-01E at 8.

¹³² Ex. TURN-01E at 8.

¹³³ Ex. TURN-01E at 7.

¹³⁴ TURN Opening Brief at 8.

experience, Citizens expects it would need to maintain a (debt service coverage) ratio of 1.25 or higher under multiple analyses, not just under the conditions reflected in the Citizens Rate Model. Lenders, of course, are the source of the capital we will invest and their risk analyses are essential to their lending decisions.”¹³⁵

TURN had originally proposed in testimony that the Commission limit the internal rate of return on Citizens’ capital to no more than PG&E’s projected long-term debt rate of 6.3 percent or the rate adopted in PG&E’s 2026 Cost of Capital proceeding.¹³⁶ TURN revises that recommendation in its Opening Brief to 6.93 percent in line with the above Citizens response to TURN’s data request.¹³⁷ PG&E does not respond in its Reply Brief specifically to the new 6.93 percent cap on Citizens’ rate of return proposed by TURN but argues that the Commission “should defer to FERC, which is the entity with exclusive jurisdiction over Citizens’ transmission rate.”¹³⁸ PG&E also states that “PG&E does not – and in fact, legally and practically cannot – finance transmission assets exclusively with debt.”¹³⁹

In its Reply Brief, Citizens calls into question TURN’s original calculations for the suggested cap on Citizens’ internal rate of return on capital and further states that the Commission should not adopt the revised 6.93 percent cap because

¹³⁵ Ex. TURN-02 at 2.

¹³⁶ Ex. TURN-01E at 4.

¹³⁷ TURN Opening Brief at 8.

¹³⁸ PG&E Reply Brief at 19.

¹³⁹ PG&E Reply Brief at 19.

“the Representative Rate Model being used is *illustrative*, and that *actual* impacts will be updated at the time each Lease is executed.”¹⁴⁰ Citizens further states that “[a]ttempts to triangulate the lowest possible return that is financeable, by using an illustrative model that does not include any sensitivities around costs, is not compatible with how lenders make investment decisions.”¹⁴¹

Cal Advocates states, in its Opening Brief, that the Amended Application does not provide analysis of real economic conditions or data and that relying on the representative rate model will only cap Citizens’ FERC rate at an approximation of the rate PG&E could charge at the time of the execution of an Entitlements Lease. Cal Advocates concludes: “As such, PG&E’s Amended Application only provides a rudimentary analysis of its Representative Rate methodology as applied to hypothetical investments under unknown market conditions at unknown execution dates.”¹⁴² By contrast, Cal Advocates contends that in the case of the Sycamore decision, the Commission was able to evaluate risks, potential benefits, money costs, and specific market conditions under which Citizens would fix rates.”¹⁴³

PG&E counters in its Reply Brief that the Commission does not need to know the economic conditions at the time the Option Periods are initiated by referencing what it says is a key distinction between this proposed transaction and the Sycamore deal. “Specifically, Citizens’ annual revenue requirement was

¹⁴⁰ Citizens Reply Brief at 27.

¹⁴¹ Citizens Reply Brief at 28.

¹⁴² Cal Advocates Opening Brief at 8.

¹⁴³ Cal Advocates Opening Brief at 7-8.

projected to be *higher* than SDG&E's because of Citizens' proposal in that case to recover the administrative and transaction costs of the transaction in rates. That led the Commission to assess whether Citizens' cost of service was higher than SDG&E's."¹⁴⁴ PG&E states that in this Amended Application, "[d]ue to the size of this transaction, Citizens has agreed to forego recovering its incremental administrative costs in rates. Because Citizens is not recouping these costs, evidence that PG&E's capital costs will increase (or decrease) is unnecessary in this proceeding to prove that Citizens' cost of service might be lower over the 30-year term of the lease."¹⁴⁵

Cal Advocates argues that achieving rate stability through locking-in rates "does not benefit ratepayers unless the gamble pays off: D.19-03-024 (Sycamore decision) actually shows that the Commission determined that ratepayers were likely to benefit from Citizens' fixed rates based on evidence that SDG&E's rates were expected to rise. Contrary to PG&E's position that rate stability from fixed rates is a benefit regardless of economic conditions, D.11-05-048 (Sunrise decision) also explains that rate stability benefits ratepayers only if the fixed rates are lower than rates over the period that rates are fixed."¹⁴⁶ PG&E asserts in its Opening Brief that "[w]hile it is possible that PG&E's FERC-authorized return on equity could be reduced in the future, in which case the locked-in Citizens rate might be higher than what PG&E would otherwise have recovered, the total

¹⁴⁴ PG&E Reply Brief at 13.

¹⁴⁵ PG&E Reply Brief at 13.

¹⁴⁶ Cal Advocates Opening Brief at 9.

impact on transmission rates recovered through the CAISO tariff will be minimal, and the hedge has inherent value in mitigating uncertainty even in that scenario.”¹⁴⁷ In its Reply Brief, TURN counters that “PG&E’s attempt to characterize one side of the coin as a ‘valuable hedge’ and the other side of the same coin as ‘minimal impact’ should be rejected. The reality is that this is not a benefit to ratepayers because future rates could either be higher or lower.”¹⁴⁸

CforAT similarly argues that the Amended Application provides insufficient information to appropriately evaluate whether Option Period 1 would lock-in rates that ultimately benefit ratepayers.¹⁴⁹ CforAT cites the Sycamore decision, which CforAT asserts “based its determination that Citizens would collect fair and reasonable revenues on ‘the possibility that ratepayers may receive lower electric rates under the Lease than they would otherwise,’ supported by predicted increases in SDG&E’s financing costs.”¹⁵⁰ About Option Periods 2 through 5, CforAT states that PG&E “effectively seeks pre-approval of all five proposed investment tranches in an initial decision, with only a limited review proposed for Tranches 2-5, excluding consideration of any new analysis or consideration of specific projects or economic conditions at the time the proposed Advice Letter process takes place.”¹⁵¹

¹⁴⁷ PG&E Opening Brief at 43.

¹⁴⁸ TURN Reply Brief at 2.

¹⁴⁹ CforAT Opening Brief at 9-12.

¹⁵⁰ CforAT Opening Brief at 11.

¹⁵¹ CforAT Opening Brief at 12.

CforAT argues that the Commission should require PG&E to file separate applications for each Option Period and that “the contemplated Tier 3 Advice Letter project would not allow for any consideration of whether the actual projects and investments under review are reasonable given economic conditions at the time of the investment option, whether approval would be in the public interest, or whether it would make sense in any other manner for exercise of the option to move forward.”¹⁵² In particular, CforAT cites D.04-10-038 authorizing the use of an advice letter process for certain transactions that it found “generally do not raise concerns *regarding the protection of consumer interests* or the interests of other market participants.”¹⁵³ CforAT asserts that: “Here, the record clearly shows that the activities for which approval may be sought in Tranches 2-5 raise substantial concerns by consumer advocates regarding the protection of consumer interests, supporting the need for full review.”¹⁵⁴

With the Citizens Entitlement Leases, PG&E will have more access to capital to invest in projects that will benefit the public, that it would not otherwise have been able to finance. However, upon review of testimony and briefs filed by parties, the Commission agrees with TURN, Cal Advocates, and CforAT that the Amended Application has not yet provided sufficient

¹⁵² CforAT Opening Brief at 15.

¹⁵³ CforAT Opening Brief at 16.

¹⁵⁴ CforAT Opening Brief at 16.

information to appropriately evaluate whether executing any of the Option Periods are in the public interest.

The information that PG&E proposes to provide for each Option Period Tier 3 Advice Letter to bridge the capital gap would not allow the Commission to make the kind of detailed analysis that it performed in the Sycamore decision to determine whether the transaction would provide ratepayer benefits. In that case, the Commission was able to determine in the Findings of Fact section of D.19-03-024 that under the representative rate model “Citizens’ annual revenue requirement would be 12.6 percent or \$336,561 higher than SDG&E’s, assuming that SDG&E’s capital costs remain constant at today’s rates throughout the 30-year lease term;”¹⁵⁵ that “[u]nder the Lease, ratepayers will pay fair and reasonable transmission revenues to both SDG&E and Citizens;” that an expert economist testifying for Citizens predicted that SDG&E’s capital costs would likely increase in the future;¹⁵⁶ that “Citizens’ fixed capital costs provide tangible benefits to ratepayers,”¹⁵⁷ and that because SDG&E’s capital costs would most likely increase, there was a high possibility that SDG&E’s total cost of service of the duration of the lease term would be higher than that of Citizens.¹⁵⁸ The Commission simply does not have sufficient information in this Amended Application to reach any of those findings of fact.

¹⁵⁵ D.19-03-024 Finding of Fact 4.

¹⁵⁶ D.19-03-024 Finding of Fact 5.

¹⁵⁷ D.19-03-024 Finding of Fact 6.

¹⁵⁸ D.19-03-024 Finding of Fact 7.

To facilitate a reasonable review by the Commission of each Investment Tranche, PG&E is directed to file with each Option Period Tier 3 Advice Letter the data fields listed in Attachment A. The Commission will consider approval of each Option Period Entitlements Lease to determine at least whether “this transaction will not be less favorable than the ratepayer impact of PG&E paying for these same transmission projects through its usual practice of including the costs on its balance sheet and recovering those costs through rates,” as described in the Assigned Commissioner’s Scoping Memo and Ruling in this proceeding.¹⁵⁹ That data will help the Commission make an evaluation of each Option Period similar to that the evaluation the Commission made in D.19-03-024. Additionally, a Tier 3 Advice Letter process will provide the appropriate level of scrutiny and public examination needed for each Option Period. The Commission will require sufficient data to ensure that each proposed tranche of projects will not be adverse to the public interest. Attachment A includes the data fields related to each proposed tranche and its individual projects. PG&E is also required to demonstrate that Citizens’ proposed levelized cost recovery for each tranche leaves ratepayers no worse off, over the period of the entitlement lease, than if all project costs remained in PG&E’s rate base. PG&E will need to provide the most up-to-date representative rate model, based on its current formula rate, as well as an updated version of Citizens’ proposed levelized cost recovery for a given tranche to ensure that, as both PG&E and Citizens represent, ratepayers are unharmed by the transaction.

¹⁵⁹ Assigned Commissioner’s Scoping Memo and Ruling at 4.

PG&E and Citizens both represent that ratepayers will be no worse off than PG&E's representative rate model in the transfer of 30-year lease interests in PG&E's transmission projects to Citizens.¹⁶⁰ For the duration of Citizens' interest in the PG&E Option Periods, upon receiving a FERC order finalizing the terms of a new formula rate in its Transmission Owner Tariff, PG&E is directed to provide a Tier 1 Advice Letter to Energy Division updating its representative rate model using the newly FERC-approved formula rate terms and detailing how use of the updated representative rate model would, but for the locked in nature of Citizens' rates, vary from the terms and transmission revenue requirement of Citizens' portion of each tranche of PG&E projects. Further, PG&E is directed to provide with these representative rate model updates the data for each project and/or tranche in Attachment B. These updated materials will support both review of the impacts of new project tranches and serve as a comparison point for assessing PG&E's and Citizens' claims that the Citizens' model is and will remain "ratepayer neutral."

2.4. Advice Letters

PG&E proposes in its Amended Application submitting Tier 3 Advice Letters before initiating Option Periods 2 through 5 "to ensure each future Entitlements Lease is consistent with the terms of the DCOA, including the project eligibility criteria, and the Commission's order on this Amended Application."¹⁶¹ As discussed earlier, the Commission directs PG&E to file Tier 3

¹⁶⁰ Citizens Opening Brief at 3, Citizens Reply Brief at 17-18, Amended A.24-03-009 at 20.

¹⁶¹ Amended A.24-03-009 at 31.

Advice Letters before initiating Option Periods 1 through 5 with required information about Citizens' proposed ratepayer assistance programs and project and revenue requirement information for each Option Period. The Commission will evaluate each Option Period Tier 3 Advice Letter to determine whether "this transaction will not be less favorable than the ratepayer impact of PG&E paying for these same transmission projects through its usual practice of including the costs on its balance sheet and recovering those costs through rates," as described in the Assigned Commissioner's Scoping Memo and Ruling in this proceeding.¹⁶² Additionally, the Commission will evaluate each Option Period Tier 3 Advice Letter, and the required information detailed in Section 2.2 above, to determine "what impacts would the transfer of Citizens' leasehold interest(s) to a third party have to the benefits received by disadvantaged and vulnerable communities" through each Option Period's proposed ratepayer assistance program and Option Period revenue requirement.¹⁶³ Finally, the Commission will evaluate each Option Period Tier 3 Advice Letter to determine whether they comply with the terms and conditions of the Investment Program created by the Development, Coordination, and Option Agreement.

The Commission understands the time-sensitive nature of each Option Period and intends to issue a Resolution for Commission vote for each Tier 3 Advice Letter within 180 days of the complete submission of the Tier 3 Advice Letter.

¹⁶² Assigned Commissioner's Scoping Memo and Ruling at 4.

¹⁶³ Assigned Commissioner's Scoping Memo and Ruling at 6.

The Commission also directs PG&E, within 120 days upon receiving approval of a new FERC formula rate, to submit a Tier 1 Advice Letter updating its representative rate model using the newly FERC-approved formula rate terms and detailing how use of the updated representative rate model would vary from the terms and transmission revenue requirement of Citizens' portion of each tranche of PG&E projects. Further, PG&E is directed to provide with these representative rate model updates the data for each project and/or tranche in Attachment B.

3. Summary of Public Comment

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

No public comments were received on the Docket Card in this proceeding.

4. Procedural Matters

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

5. Comments on Proposed Decision

The proposed decision of ALJ Jack Chang in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and

Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

6. Assignment of Proceeding

Karen Douglas is the assigned Commissioner and Jack Chang is the assigned ALJ in this proceeding.

Findings of Fact

1. PG&E's Amended Application proposes initiating five Option Periods in which PG&E will lease to-be-defined projects to Citizens with up to \$200 million invested per Option Period.
2. PG&E's overall capital investment needs greatly exceeds its operating cash flows.
3. The Commission has not previously approved a Section 851 application involving several tranches of to-be-determined projects with undefined revenue requirements.
4. PG&E will calculate an estimated annual revenue requirement for Citizens for each Option Period using its representative rate model.
5. The estimated annual revenue requirement calculated by the representative rate model will be an approximation of what PG&E would pay for the transmission projects without Citizens' investments.
6. The representative rate model calculates Citizens' levelized annual capital-related revenue requirement over a 30-year lease term and discounts the sum of the capital-related revenue requirements over the composite average service life for PG&E's electric transmission assets at PG&E's weighted cost of capital.

7. PG&E's Amended Application does not specify Citizens' estimated annual revenue requirement for any of the Option Periods as calculated by the representative rate model.

8. Previous transmission lease applications approved by the Commission involving Citizens specified which utility transmission infrastructure would be leased to Citizens and Citizens' estimated annual revenue requirement as determined by the representative rate model.

9. The Amended Application has not provided sufficient information to appropriately evaluate whether executing any of the Option Periods is in the public interest.

10. Citizens proposes donating an increasing percentage of its after-tax profit from each Entitlement Lease to ratepayer assistance in PG&E service territory with the total assistance amount possibly exceeding \$450 million over the life of the five Entitlement Leases.

11. Neither PG&E nor Citizens clearly state through which agencies the ratepayer assistance will be delivered or which groups of PG&E ratepayers will receive the assistance.

12. Citizens is not under Commission ratemaking jurisdiction.

13. Citizens' ratepayer assistance program provides ratepayer benefits in concept but needs additional transparency and accountability safeguards.

14. The Federal Energy Regulatory Commission must review and approve Citizens' transmission revenue requirement and rates.

Conclusions of Law

1. The PG&E Amended Application proposing to lease undefined projects with undetermined revenue requirements to Citizens is significantly different from previous projects approved by the Commission involving Citizens in which the Commission could consider specific transmission leases with revenue requirements estimated by a representative rate model.

2. The PG&E Amended Application is novel and unprecedented in the context of other Section 851 applications reviewed by the Commission.

3. The standard of review in examining the merits of this Application is whether the Entitlement Leases are in the public interest.

4. PG&E should be required to request authorization for each Option Period's ratepayer assistance program with each Tier 3 Advice Letter initiating an Option Period.

5. The standard of review in examining the merits of each Tier 3 Advice Letter is whether the Entitlement Leases are whether this transaction "will not be less favorable than the ratepayer impact of PG&E paying for these same transmission projects through its usual practice of including the costs on its balance sheet and recovering those costs through rates."

6. PG&E should report how Citizens spent ratepayer assistance for previous Option Periods when submitting Tier 3 Advice Letters for Option Periods 2 through 5.

7. PG&E should detail how Citizens plans to spend ratepayer assistance for the subsequent Option Period when submitting Tier 3 Advice Letters for Option Periods 1 through 5.

8. PG&E should specify which projects will be included in each Option Period that it is initiating through a Tier 3 Advice Letter and provide Citizens' estimated revenue requirement and other data specified in Attachment A.

9. PG&E should explain in each Option Period Tier 3 Advice Letter why the proposed Entitlement Lease still provides ratepayer benefit if Citizens' estimated annual revenue requirement exceeds PG&E's annual revenue requirement.

10. PG&E should file a Tier 1 Advice Letter upon receiving approval of a new FERC formula rate updating its representative rate model using the newly FERC-approved formula rate terms and detailing how use of the updated representative rate model would vary from the terms and transmission revenue requirement of Citizens' portion of each tranche of PG&E projects.

11. Application 24-03-009 should be partially approved with modified Tier 3 and Tier 1 Advice Letter requirements, and the proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized to file Tier 3 Advice Letters seeking approval for each Entitlements Lease for Option Periods 1 through 5 to ensure each future Entitlement Lease is consistent with the terms of the Development, Coordination, and Option Agreement, including the project eligibility criteria, and the Commission's order on this Amended Application.

2. PG&E is ordered to include in each Option Period Tier 3 Advice Letter the data fields described in Attachment A.

3. Each Tier 3 Advice Letter initiating Option Periods 1 through 5 shall detail how Citizens plans to distribute ratepayer assistance in the subsequent Option

Period for which PG&E is seeking authorization, consistent with the Commission's order on this Amended Application.

4. Each Tier 3 Advice Letter initiating Option Periods 2 through 5 shall detail how Citizens distributed ratepayer assistance in the previous Option Period, consistent with the Commission's order on this Amended Application.

5. Pacific Gas and Electric Company shall file a Tier 1 Advice Letter upon receiving approval of a new Federal Energy Regulatory Commission (FERC) formula rate updating its representative rate model using the newly FERC-approved formula rate terms and detailing how use of the updated representative rate model would vary from the terms and transmission revenue requirement of Citizens' portion of each tranche of PG&E projects, consistent with the Commission's order on this Amended Application.

6. Application 24-03-009 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT A
Citizen's Option Period Tier 3

ATTACHMENT B
Citizen's Tier 1 AL Periodic Review Data Field