# PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**ENERGY DIVISION**

**Agenda ID #24504**
**RESOLUTION E-5483**
**October 8, 2026**

## R E S O L U T I O N

Resolution E-5483. Pacific Gas and Electric Company Diablo Canyon Power Plant Extended Operations Balancing Account True-Up for the 2023-2025 Record Period.

PROPOSED OUTCOME:

- Approves Pacific Gas and Electric Company's (PG&E) Advice Letter 7860-E, which provides the true-up of PG&E's recorded Diablo Canyon Power Plant (DCPP) extended operations costs and market revenues, pursuant to Senate Bill 846 and Decision 23-12-036, for the September 1, 2023 through December 31, 2025 record period, and confirms that PG&E's recorded costs are below 115 percent of the Commission-adopted forecast and that no further reasonableness review of those costs is required.
- Denies the protest filed by The Utility Reform Network (TURN) to Advice Letter 7860-E.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- Pacific Gas and Electric Company (PG&E) recorded $1,224 million in Diablo Canyon Power Plant extended operations costs to the Diablo Canyon Extended Operations Balancing Account (DCEOBA) for the September 1, 2023 through December 31, 2025 record period. These costs are recovered from the ratepayers of PG&E, Southern California Edison, and San Diego Gas & Electric through non-bypassable charge rates approved in Decision 24-12-033 and in effect since January 1, 2025.
- This Resolution does not itself authorize any new or additional rate increase. Any future over- or under-collection in the DCEOBA will continue to be trued up in rates in subsequent years under the mechanism adopted in Decision 23-12-036.

By Advice Letter 7860-E, filed on March 18, 2026.

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## SUMMARY

This Resolution approves Pacific Gas and Electric Company's (PG&E) Advice Letter (AL) 7860-E, the Diablo Canyon Extended Operations Balancing Account (DCEOBA) True-Up Advice Letter filed pursuant to Senate Bill (SB) 846 and Decision (D.) 23-12-036, and denies the protest filed by The Utility Reform Network (TURN). PG&E AL 7860-E trues-up PG&E's recorded Diablo Canyon Power Plant (DCPP) extended operations costs and market revenues to the Commission-adopted forecast for the record period September 1, 2023 through December 31, 2025. This Resolution finds that PG&E's recorded DCEOBA costs, totaling approximately $1,224.1 million, are below 115 percent of the approximately $1,325.4 million forecast approved in D.24-12-033, so that no further reasonableness review of those costs is required under Public Utilities Code Section 712.8(h)(1). This Resolution also finds that TURN's proposal to apply the 115 percent threshold separately to each individual cost category, rather than to PG&E's total recorded costs, is not supported by the statute.

## BACKGROUND

In September 2022, the Governor of California signed Senate Bill (SB) 846, which directed the Commission to establish a cost recovery mechanism for the extended operations of the DCPP, operated by PG&E, beyond DCPP's previously planned retirement dates. SB 846 directed that the mechanism be structured similarly to the Energy Resource Recovery Account proceedings, with a Commission-approved forecast and a subsequent true-up to actual costs and market revenues for the prior calendar year through an expedited Tier 3 advice letter process. Public Utilities Code Section 712.8(h)(1)[1] provides that there shall be no further review of the reasonableness of costs incurred if actual costs are below 115 percent of the forecasted costs.

In Decision (D.) 23-12-036, the Commission implemented SB 846 by adopting an Energy Resource Recovery Account-like review process, establishing the DCEOBA to record DCPP extended operations costs, and requiring an annual true-up to actual costs and market revenues by advice letter. D.24-12-033 subsequently approved PG&E's forecast of DCPP extended operations costs, authorizing PG&E to recover a net revenue requirement of $711 million for the period September 1, 2023 through December 31, 2025.[2]

[1] All statutory references are to the Public Utilities Code, unless otherwise noted.
[2] The authorized revenue requirement reflects a reduction against total costs for expected CAIO market revenues from DCPP sales.

On March 18, 2026, PG&E filed Advice Letter (AL) 7860-E, a Tier 3 true-up advice letter, to true-up its recorded DCEOBA costs and market revenues against the Commission-adopted forecast for the September 1, 2023 through December 31, 2025 record period, consistent with SB 846, D.23-12-036, and D.24-12-033. PG&E AL 7860-E also reports the company's 2025 allocation of DCPP's greenhouse gas-free energy attributes to eligible load-serving entities, as directed by D.23-12-036. This Resolution disposes of AL 7860-E.

On August 5, 2026, PG&E filed substitute sheets for AL 7860-E to correct minor and non-substantive errors appearing on pages 19, 20 and 21 of the advice letter. The correction of these errors, which were largely headings for various tables, do not change the ratemaking or other substantive elements of the advice letter.

## NOTICE

Notice of PG&E AL 7860-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

## PROTESTS

PG&E's AL 7860-E was timely protested by TURN on April 7, 2026.

TURN's protest does not dispute PG&E's underlying recorded costs or revenues. Rather, TURN argues that PG&E's approach of comparing its total recorded DCEOBA costs to its total Commission-adopted forecast to determine whether the 115 percent threshold in Section 712.8(h)(1) has been exceeded is inconsistent with the statute, and that the threshold should instead be applied separately to each individual cost category. TURN contends that PG&E's aggregate approach masks a 10 percent overspend in PG&E's operations and maintenance costs and plant equipment and improvement costs, and that the overall favorable variance PG&E reports is driven largely by a $132.2 million reduction in Resource Adequacy substitution capacity costs resulting from the Commission's separate modification of the Resource Adequacy Market Price Benchmark methodology in D.25-06-049, rather than from any action by PG&E. TURN further argues that costs such as the Liquidated Damages Fund and Fixed Management Fee, which are statutorily fixed or largely non-variable, should not be included in an aggregate comparison because they create additional headroom that could mask overspending on costs within PG&E's control. TURN presented three illustrative scenarios in which operations and maintenance costs exceed the forecast by 30 to 65 percent, yet the total recorded-to-forecast variance remains below the 115 percent threshold, which TURN argues shows that PG&E's aggregate approach could allow significant imprudent overspending to escape reasonableness review in future years.

PG&E responded to TURN's protest on April 14, 2026.

In its reply, PG&E maintains that Section 712.8(h)(1) establishes a single threshold based on a comparison of total actual costs to total forecasted costs, and that the statute does not require or authorize a category-by-category application of the 115 percent threshold. PG&E states that even under TURN's proposed category-by-category approach, PG&E's recorded costs remain below the relevant threshold levels for this record period. PG&E further explains that TURN's concern regarding the Resource Adequacy Market Price Benchmark modification is addressed because Advice Letter 7860-E separately demonstrates, using the updated final Market Price Benchmark that is the subject of a pending Petition for Modification in Application 24-03-018, that PG&E's recorded costs remain below the 115 percent threshold. PG&E also argues that an aggregate comparison of total recorded costs to total forecasted costs is consistent with the plain statutory language and with Commission practice in other balancing account mechanisms with reasonableness thresholds, such as the Hydro Licensing Balancing Account.

## DISCUSSION

The Commission has reviewed Advice Letter 7860-E, TURN's protest, the reply of PG&E, and finds the following:

Public Utilities Code Section 712.8(h)(1) directs that DCPP extended operations costs be trued up annually through an expedited advice letter process, and specifies that no further reasonableness review of costs incurred is required if actual costs are below 115 percent of the forecasted costs. The statute frames this comparison in terms of undifferentiated actual costs against the forecasted costs, without reference to individual cost categories, and does not direct that the 115 percent threshold be applied separately to each category of DCPP extended operations costs.

TURN argues that the 115 percent threshold should be applied line-by-line to each individual cost category rather than to PG&E's total recorded costs. The Commission does not adopt TURN's reading. Nothing in the text of Section 712.8(h)(1) identifies cost categories for a separate threshold review. PG&E's approach of comparing its total recorded DCEOBA Extended Operations Subaccount costs to its total Commission-adopted forecast, as shown in Advice Letter 7860-E, Table 17 and Table 18, is consistent with the statutory text.

The Commission also agrees with PG&E's argument that the aggregate approach is consistent with Commission practice regarding other balancing accounts that employ a reasonableness-review threshold, such as the Hydro Licensing Balancing Account, in which the Commission compares total actual expenses to total adopted amounts rather than applying the threshold separately to each cost component.

The Commission recognizes TURN's concern that a portion of the favorable variance PG&E reports for the 2023-2025 record period is attributable to the Commission's own modification of the Resource Adequacy Market Price Benchmark methodology in D.25-06-049, rather than to any action taken by PG&E, and that operations and maintenance costs and plant equipment and improvement costs each exceeded the forecast by approximately 10 percent. The Commission is not persuaded that this record period's variance warrants departing from a total-cost comparison. As shown in Table 19 of Advice Letter 7860-E, even applying the updated final Market Price Benchmark methodology that was the subject of the then-pending Petition for Modification in A.24-03-018[3], PG&E's total recorded DCEOBA Extended Operations Subaccount costs of approximately $1,224.1 million remain below 115 percent of the corresponding forecast of approximately $1,193.2 million, or $148.1 million below the threshold. The Commission's finding that no further reasonableness review is required for this record period therefore does not depend on which Market Price Benchmark methodology is used. Moreover, even viewing the cost categories in isolation, the exceedances are still below the 115 percent threshold, and thus even under TURN's reading, no reasonableness review is triggered.

The Commission's approval of Advice Letter 7860-E resolves the true-up for the September 1, 2023 through December 31, 2025 record period only, based on the recorded costs and forecast at issue in this forecast cycle.

The Commission has also reviewed PG&E's recorded 2024 and 2025 costs, including nuclear fuel and working cash, and statutory fees, including liquidated damages, fixed payment, and the volumetric performance fee, recorded to the DCEOBA, together with

[3] The Petition for Modification in A.24-03-018 adopted the use of final Market Price Benchmarks for all review advice letters going forward. The Commission adopted this change in D.26-05-009.

the associated Volumetric Performance Fee and Fixed Payment revenue escalation true-ups for 2024, and finds them consistent with the Commission's directives in D.23-12-036 and D.24-12-033. Finally, the Commission has reviewed PG&E's allocation of DCPP's greenhouse gas-free energy attributes to 31 eligible load-serving entities for 2025 and finds this allocation consistent with the framework adopted in D.23-12-036 and approved in Advice Letter 7295-E and Advice Letter 7295-E-A. Accordingly, the Commission approves Advice Letter 7860-E and denies TURN's protest.

## COMMENTS

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

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

## FINDINGS AND CONCLUSIONS

1. Public Utilities Code Section 712.8(h)(1) requires that Diablo Canyon Power Plant extended operations costs be trued up annually through an expedited Tier 3 advice letter process, and provides that there shall be no further review of the reasonableness of costs incurred if actual costs are below 115 percent of the forecasted costs.

2. Decisions 23-12-036 and 24-12-033 directed Pacific Gas and Electric Company to file this true-up advice letter and established the Diablo Canyon Extended Operations Balancing Account and the associated Commission-adopted forecast of Diablo Canyon Power Plant extended operations costs for the September 1, 2023 through December 31, 2025 record period.

3. Public Utilities Code Section 712.8(h)(1) compares undifferentiated actual costs to the forecasted costs and does not direct that the 115 percent threshold be applied separately to each individual cost category.

4. Pacific Gas and Electric Company's recorded Diablo Canyon Extended Operations Balancing Account Extended Operations Subaccount costs of approximately $1,224.1 million for the September 1, 2023 through December 31, 2025 record period are below 115 percent of the Commission-adopted forecast of approximately $1,325.4 million, whether that forecast is calculated using the original Resource Adequacy Market Price Benchmark or the updated Market Price Benchmark that is the subject of the pending Petition for Modification in Application 24-03-018.

5. No further reasonableness review of Pacific Gas and Electric Company's recorded Diablo Canyon Extended Operations Balancing Account costs for the September 1, 2023 through December 31, 2025 record period is required under Public Utilities Code Section 712.8(h)(1).

6. The protest of The Utility Reform Network, which asks the Commission to apply the 115 percent threshold separately to each individual cost category, is not supported by the statutory text and is properly denied.

7. Applying an aggregate comparison of total recorded costs to total forecasted costs to determine whether a reasonableness-review threshold has been triggered is consistent with Commission practice in other balancing account mechanisms, including the Hydro Licensing Balancing Account.

8. Pacific Gas and Electric Company's recorded 2024 and 2025 costs, including nuclear fuel and working cash, and statutory fees, including liquidated damages, fixed payment, and volumetric performance fee, recorded to the Diablo Canyon Extended Operations Balancing Account, are consistent with the Commission's directives in Decision 23-12-036 and Decision 24-12-033.

9. The Volumetric Performance Fee and Fixed Payment revenues, with recorded cumulative escalation values for 2024 as shown in Advice Letter 7860-E, are reasonable.

10. Pacific Gas and Electric Company's allocation of Diablo Canyon Power Plant's greenhouse gas-free energy attributes to 31 eligible load-serving entities for 2025, as described in Advice Letter 7860-E, is consistent with Decision 23-12-036.

11. Advice Letter 7860-E should be approved and the protest of The Utility Reform Network should be denied.

**THEREFORE IT IS ORDERED THAT:**

1. Advice Letter 7860-E, filed by Pacific Gas and Electric Company on March 18, 2026, is approved.

2. Pacific Gas and Electric Company has met the compliance requirements set forth in Decision 23-12-036 and Decision 24-12-033 for Advice Letter 7860-E.

3. Pacific Gas and Electric Company's recorded costs during the record period have not exceeded the 115 percent threshold established in Public Utilities Code Section 712.8(h)(1), and no further reasonableness review of costs during the September 1, 2023 through December 31, 2025 record period is required.

4. The actual recorded record period costs, totaling $1.22 billion, including nuclear fuel and working cash, and statutory fees, including liquidated damages, fixed payment, and the volumetric performance fee, recorded to the Diablo Canyon Extended Operations Balancing Account are reasonable. The Volumetric Performance Fee and Fixed Payment revenues, with recorded cumulative escalation values for 2024, are approved.

5. The allocation of greenhouse gas-free attributes from Diablo Canyon Power Plant's extended operations to all eligible load-serving entities, as described in Advice Letter 7860-E, is consistent with Decision 23-12-036 and is approved.

This Resolution is effective today.

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 8, 2026; the following Commissioners voting favorably thereon:

Commissioner Signature blocks to be added
upon adoption of the resolution

Dated ________________________________, at <Voting meeting location>, California