PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

September 23, 2026 **Agenda ID #24547 (Rev.1)**
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 26-05-009:

This is the proposed decision of Administrative Law Judges Elizabeth Fox, Darryl, Gruen, and John Larsen. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's **October 29, 2026** Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

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

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

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC: smt

Attachment

Decision **PROPOSED DECISION OF ALJ FOX** (Mailed 9/22/2026)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2027. (U39M)	Application 25-05-009

DECISION AUTHORIZING INTERIM RATE RECOVERY

Summary

The decision partially authorizes Pacific Gas and Electric Company (PG&E) to recover, on an interim rate basis, up to $456 million in revenue requirement, beginning January 1, 2027, and remaining in effect until a final decision is implemented. The decision applies a lower percentage increase to the electric functions, where PG&E requests increases, to limit the risk of overcollection that would have to be refunded. The decision applies a higher percentage decrease to the gas functions, where PG&E proposes decreases, so that customers receive more of those reductions sooner.

The interim rate recovery is subject to refund. If a final decision on PG&E's 2027 general rate case approves an amount less than what this interim mechanism has already collected, PG&E shall return any overcollection to customers, with interest calculated at the three-month commercial paper rate.

Nothing in this decision shall be construed to relieve PG&E of the burden of proving that all costs it seeks to recover in this proceeding are just and reasonable.

Application 25-05-009 remains open.

1. Background

On May 15, 2025, Pacific Gas and Electric Company (PG&E) filed the instant Application and served supporting testimony for its Test Year 2027 General Rate Case (TY 2027 GRC or GRC). In its Application, PG&E requested to increase its total combined revenue requirement for gas distribution, transmission and storage, electric distribution, and generation, effective January 1, 2027.

The Assigned Commissioner's Scoping Memo and Ruling adopted a schedule that established May 2027 as the expected date for a final decision in Track 1 of this proceeding.[1]

On May 7, 2026, PG&E filed a motion requesting that the Commission authorize interim rate recovery (IRR Motion) for its TY 2027 GRC, pursuant to Public Utilities Code (Pub. Util. Code) §§ 451 and 701.

On June 1, 2026, the following parties filed responses that opposed PG&E's IRR Motion:

- California Large Energy Consumers Association, Energy Producers and Users Coalition, Indicated Shippers (Joint Parties);
- The Public Advocates Office of the California Public Utilities Commission (Cal Advocates); and
- The Utility Reform Network (TURN).

On July 2, 2026, PG&E presented an updated revenue requirement request.[2]

[1] Assigned Commissioner's Scoping Memo and Ruling issued on July 31, 2025 at 19. As noted in the Scoping Memo and Ruling, the schedule may be modified by the Administrative Law Judges as required to promote the efficient and fair resolution of the Application.

[2] PG&E Opening Brief.

2. PG&E Proposal

PG&E's 2027 GRC revenue requirement forecast is $16.527 billion.[3] PG&E requests authorization to recover, on an interim basis commencing January 1, 2027, one of the following: (1) approximately $653.70 million in revenue requirement (55%interim rate recovery), (2) approximately $891.40 million in revenue requirement (75% interim rate recovery), or (3) approximately $1,010.26 million in revenue requirement (85% interim rate recovery) to remain effective in rates until the Commission's final decision on PG&E's 2027 GRC is implemented in rates.

The Table below shows the calculation for the 55%, 75%, and 85% interim rate recovery scenarios by function, including proposed reductions for Gas Distribution and Gas Transmission and Storage.[4]

[3] PG&E Ex-10-E-2, Table 1.

[4] IRR Motion at 4. Note that values were originally presented in thousands and have been rounded to millions to correspond with values presented in PG&E Ex-10, Table 1-1.

Table 1: PG&E Calculation of IRR Scenarios by Function (Millions)

	2026 Revenue Requirement	2027 Proposed Change	Percent of Requested Revenue Requirement		
			55	75	85
Electric Distribution	$8,819	$979	$539	$735	$833
Gas Distribution	$3,104	$(57)	$(31)	$(43)	$(48)
Electric Generation	$1,220	$280	$154	$210	$238
Gas Transmission & Storage	$2,196	$(14)	$(8)	$(11)	$(12)
Total GRC	**$15,339**	**$1,188**	**$654**	**$891**	**$1,010**

PG&E noted that the scoping memo in this proceeding anticipates a final decision in May 2027.[5] In addition, PG&E noted that previous GRC decisions have been adopted after the start of the Test Year and beyond the "Rate Case Plan's expectation" that the Commission issue a final decision 565 days after a utility's GRC filing.[6]

PG&E stated that interim recovery beginning January 1, 2027 would advance customers' interests by: 1) avoiding approximately $14 to $21 million[7] in interest that customers would otherwise pay, 2) smoothing rates and reducing rate volatility,[8] and 3) better aligning cost recovery with the period in which costs are incurred.[9]

[5] Assigned Commissioner's Scoping Memo and Ruling issued on July 31, 2025 at 19.

[6] IRR Motion at 3, citing Decision (D.) 20-01-002 at 27.

[7] IRR Motion at 1, 4, 6.

[8] IRR Motion at 7-10.

[9] IRR Motion at 1.

PG&E illustrated an approximate combined bill impact by comparing the interim rate recovery scenarios presented in the IRR Motion to its original request in its Application:[10]

Table 2: PG&E Calculation of Incremental Percent Change in Combined Non-CARE Residential Bill[11]

	Jan. 1, 2027	Sept. 1, 2027	Jan. 1, 2028	Sept. 1, 2028	Jan. 1, 2029	Jan. 1, 2030
As Filed	3.6%	-	3.2%	-	3.3%	3.4%
No IRR	-	5.9%	3.1%	-2.2%	3.3%	3.4%
55% IRR	1.9%	2.7%	3.2%	-1.0%	3.3%	3.4%
75% IRR	2.6%	1.6%	3.2%	-0.6%	3.3%	3.4%
85% IRR	2.9%	1.0%	3.2%	-0.3%	3.3%	3.4%

PG&E argued that if the Commission authorizes interim rate recovery, PG&E's customers will avoid financing costs on memorandum account undercollections. The Commission sets this interest rate at the 90-day commercial paper rate, as reported by the Federal Reserve, which PG&E reported was 3.71% as of March 2026. PG&E stated that if the Commission granted its IRR request and interim rate recovery began on January 1, 2027, direct customer savings would be about $13.6 million, $18.5 million, or $21.0 million under the 55 percent, 75%, or 85% IRR scenarios, respectively. PG&E's calculations compared its scenarios with rate recovery beginning on September 1, 2027, and taking place over a 12-month period.

PG&E stated that interim rate recovery would be subject to refund and fully refundable, to ensure that customers are made whole.[12]

[10] IRR Motion at 8.

[11] Note that this calculation presumes a 12-month amortization of any undercollection. Non-CARE customers are customers that pay standard gas and/or electric rates and do not receive the California Alternate Rates for Energy (CARE) program monthly discount.

[12] IRR Motion at 1.

3. Updated Calculations

In its Opening Brief, PG&E presented the following updated revenue requirement forecast:[13]

Table 3: 2027 GRC Revenue Requirement Forecast (Millions)

	2026 Revenue Requirement	2027 Proposed Change
Electric Distribution	$8,819	$722
Gas Distribution	$3,104	($63)
Electric Generation	$1,220	265
Gas Transmission & Storage	$2,196	($39)
Total GRC	**$15,339**	**$885**

Using these values, we calculate various IRR scenarios ranging from 55% to 85% of values in the "2027 Proposed Change" column, shown in the table below:

Table 4: Updated Calculation of IRR Scenarios by Function (Millions)

	2026 Revenue Requirement	2027 Proposed Change	Percent of Requested Revenue Requirement Change		
			55%	75%	85%
Electric Distribution	$8,819	$722	$397	$542	$614
Gas Distribution	$3,104	($63)	($35)	($47)	($54)
Electric Generation	$1,220	265	$146	$199	$225
Gas Transmission & Storage	$2,196	($39)	($21)	($29)	($33)
Total GRC	**$15,339**	**$885**	**$487**	**$664**	**$752**

[13] PG&E Opening Brief at 10-47 updates the 2027 proposed revenue requirement, removing costs from memorandum accounts related to Senate Bill 410 and Assembly Bill 841 from this GRC as discussed in PG&E Ex-22 at 7-27, 7-29.

4. Party Comments

All parties that filed responses to the IRR Motion opposed granting PG&E's request.

4.1. Cal Advocates

Cal Advocates argued that the Commission should deny the IRR motion in full.[14] Cal Advocates noted that the Commission may approve interim rate recovery "if the facts warrant such summary relief"[15] and where "fairness to both the utility and the public required immediate action."[16] Citing a 2024 Commission decision granting interim rate recovery, Cal Advocates stated that the Commission has considered various factors when determining whether a utility is entitled to interim rates:

- Fairness to both the utility and public;
- The public interest;
- Reducing the potential for rate shock;
- Intergenerational equity;
- Preserving the financial integrity of a utility;
- Minimizing costs incurred by ratepayers; and
- Ensuring rate stability.[17]

Cal Advocates noted that "interim rate relief is not routine" and that such relief "requires a showing of need and urgency, not merely a net benefit."[18]

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[14] Public Advocates Office Response in Opposition to Pacific Gas and Electric Company's Motion for Interim Rate Recovery (Cal Advocates Response) at 9.

[15] Cal Advocates Response at 11, citing Pub. Util. Code §451; *Los Angeles v. Pub. Utils. Com.,* 7 Cal. 3d 331, 102 Cal. Rptr. 313, 497 P.2d 785 (1972), 354; *Toward Util. Rate Normalization v. Pub. Utils. Com (TURN v. PUC)*, 44 Cal. 3d 870, 245 Cal. Rptr. 8, 750 P.2d 787 (1988) at 878.

[16] Cal Advocates Response at 11, citing *TURN v. PUC* at 879.

[17] Cal Advocates Response at 2, citing D.24-03-006 at 11.

[18] Cal Advocates Response at 2, citing *TURN v. PUC* at 879. Cal Advocates notes that the California Supreme Court explained that while the situation for interim rate relief need not rise to the level of an "emergency," it must be a situation where "fairness to both the utility and the public required immediate action."

Cal Advocates further argued that PG&E's request in the IRR Motion is fundamentally different from past cases in which the Commission has authorized interim rate relief.[19] Cal Advocates stated that GRC proceedings prospectively authorize rates for future costs and projects; that these costs are inherently uncertain and may not be incurred at all; and that, following a GRC, utilities retain the discretion and flexibility to reprioritize funding within the authorized revenue requirement.[20] Further, the Commission may modify, reduce, or fully reject many proposed expenditures under examination in the current PG&E 2027 GRC. Cal Advocates argued that if the Commission were to grant the requested interim rate relief, PG&E could fund projects that have yet to be approved and where no costs have been incurred.

In addition, Cal Advocates noted that PG&E's request for interim rates "is not grounded in operational necessity,"[21] as it does not identify or claim any safety, reliability, wildfire, gas, electric, or customer-service work would not proceed absent interim rate relief.[22] In addition, Cal Advocates noted that PG&E does not identify any project, program, compliance activity, or operational function that depends on receiving a partial GRC increase before the Commission issues a final decision. Cal Advocates further argued that PG&E's request therefore is not grounded in operational necessity and does not identify any concrete, time-sensitive harm to either customers or the utility that would be addressed with interim rate recovery.[23]

Cal Advocates also stated that it is unclear why PG&E chose to request interim rate relief rather than avail itself of a memorandum account as it has done in past

[19] Cal Advocates Response at 2-4.

[20] Cal Advocates Response at 3.

[21] Cal Advocates Response at 3.

[22] Cal Advocates Response at 3.

[23] Cal Advocates Response at 4.

GRCs.[24] For example, in the 2023 GRC, rather than request interim rates, PG&E sought an order making the 2023 Test Year GRC revenue requirement effective as of January 1, 2023 in the event the Commission adopted its final decision after that date.[25] Cal Advocates stated the established memorandum account mechanism would preserve the status quo while allowing the Commission to complete its review on a full record before authorizing any rate changes.[26] According to Cal Advocates, granting interim rates in a GRC would "invert GRC due process by requiring customers pay first and litigate later."[27]

4.2. Joint Parties

The Joint Parties asked the Commission to deny PG&E's request for interim recovery of any portion of its proposed TY 2027 revenue requirement increase.[28] According to the Joint Parties, the IRR Motion failed to establish that the proposed relief is warranted.[29]

The Joint Parties argued that PG&E: 1) overstates the extent to which its request resembles interim rate relief the Commission has granted in prior cases;[30] 2) unreasonably presumes that its proposed $1.18 billion revenue increase is reasonable and will be approved;[31] and 3) has a "fundamentally incomplete"

[24] Cal Advocates Response at 4, citing D.22-06-033.

[25] Cal Advocates Response at 4, citing D.22-06-033 at 2.

[26] Cal Advocates Response at 4.

[27] Cal Advocates Response at 4.

[28] Joint Response of California Large Energy Consumers Association, Indicated Shippers, and Energy Producers and Users Coalition in Opposition to Motion of Pacific Gas and Electric Company for Interim Rate Recovery (Joint Response), filed June 1, 2026.

[29] Joint Response at 2.

[30] Joint Response at 2-5.

[31] Joint Response at 3, 5-6.

affordability and rate-volatility showing that ignores impacts on non-residential customers.[32]

4.3. TURN

TURN asks the Commission to deny PG&E's request because the IRR Motion "lacks sufficient support for the extraordinary relief sought therein."[33] According to TURN, unlike the circumstances underlying the decisions PG&E cited in support of its motion, PG&E seeks relief for "speculative, forecasted costs in 2027, and anticipates being able to start collecting those costs deemed reasonable by the Commission the same year, in 2027."[34] TURN also stated that ratepayers would likely overpay under any of PG&E's three proposals, and noted that PG&E "exaggerates the benefits to ratepayers associated with interest expense, rate smoothing, and intergenerational equity."[35]

5. Standard of Review for Interim Rate Relief

The Commission is charged with the responsibility of ensuring that all rates demanded or received by a public utility are just and reasonable.[36] In ratemaking applications, the burden of proof is on the applicant utility.[37]

The Commission's power to grant interim rate relief is well established. In *City of Los Angeles v. Public Utilities Commission*, the Supreme Court recognized that

[32] Joint Response at 3, 6-8.

[33] Response of The Utility Reform Network to the Motion of Pacific Gas and Electric Company for Interim Rate Recovery (TURN Response), filed June 1, 2026 at 2.

[34] TURN Response at 2.

[35] TURN Response at 2.

[36] Pub. Util. Code § 451.

[37] Application of Pacific Gas and Electric Company (2000) D.00-02-046, at 36, 2000 Cal. PUC LEXIS 239, citing *Re Pacific Bell* (1987) 27 CPUC 2d 1, 21, D.87-12-067. See also *Re Energy Cost Adjustment Clauses* (1980) 4 CPUC 2d 693, 701; D.92496, *Re Southern California Edison Company* (1983) 11 CPUC 2d 474, 475; D.83-05-036 ("Of course the burden of proof is on the utility applicant to establish the reasonableness …. We expect a substantial affirmative showing by each utility with percipient witnesses in support of all elements of its application.").

the Commission may grant interim rate increases should it find them appropriate.[38] In *TURN v. PUC*, the petitioner, TURN, contended that the Commission could not authorize interim relief unless failure to do so would result in a financial emergency or unless the reasonableness of the investment costs covered by the utility's rates is undisputed.[39] The Supreme Court recognized that the Commission had granted interim rate relief under those standards in the past but noted: "[f]rom the existence of those two exceptions, however, it does not follow that no other circumstances can justify an interim increase."[40]

In subsequent determinations, the Commission has applied as relevant factors fairness to both the utility and public;[41] the public interest;[42] reducing the potential for rate shock;[43] intergenerational equity; and preserving the financial integrity of a utility,[44] minimizing costs incurred by ratepayers, and ensuring rate stability.[45]

The utility's continued viability need not be at risk before interim rate relief may be granted. It is sufficient "where there is a showing that fairness to both the public and the utility require immediate action."[46]

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[38] *City of Los Angeles v. Public Utilities Commission* (1972) 7 Cal.3d 331 [102 Cal. Rptr. 313, 497 P.2d 785].

[39] 44 Cal.3d at 870.

[40] 44 Cal.3d at 875.

[41] D.02-07-031 at 13-14; D.20-10-016 at 22.

[42] A.19-08-013, Administrative Law Judges' Ruling Denying Southern California Edison Company's Motion for Interim Rate Relief, May 22, 2020.

[43] D.16-08-003 at 9.

[44] D.22-05-001; Administrative Law Judges' Ruling Denying Southern California Edison Company's Motion for Interim Rate Relief, May 22, 2020.

[45] D.88-05-074 at 14; D.20-10-016 at 22.

[46] D.91-02-035 at 10, citing *TURN v. PUC* at 879.

5.1. Party Positions

Cal Advocates argues that the proposed decision commits legal error by applying an incorrect standard.[47] It contends that under Pub. Util. Code §§ 451 and 454, the Commission may not grant any increase for costs, including interim rate recovery, before finally determining that the larger costs are reasonable and prudent, subject to exceptions such as a "financial emergency" or investment costs that are "indisputably reasonable."[48] Cal Advocates further argues that there is no "need and urgency," because PG&E fails to show it has an operational need for funds or faces concrete harm if interim rate relief is not granted.[49]

Cal Advocates stated that "interim rate relief is not routine" and that such relief "requires a showing of need and urgency, not merely a net benefit" for the Commission to justify authorization.[50] TURN similarly argued that the IRR Motion "lacks sufficient support for the extraordinary relief sought therein."[51]

The Joint Parties separately argue that the proposed decision misapplies *TURN v. PUC* by relying on the Court's concluding statement that the Commission could set interim rates "as long as the rate is subject to refund and sufficiently justified" while omitting the standard the Court actually applied.[52] According to the Joint Parties, that standard permits interim relief "if the facts warrant such

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[47] Comments of the Public Advocates Office on Proposed Decision Authorizing Interim Rate Recovery (Cal Advocates Opening Comments), October 13, 2026, at 2-8.

[48] Cal Advocates Opening Comments at 2, citing D.13-10-051 at 20, *Southern California Gas Co. v. PUC* (1990) 50 Cal. 3d 31, 35.

[49] Cal Advocates Opening Comments at 6.

[50] Cal Advocates Opening Comments at 2, citing *TURN v. PUC* at 879.

[51] Comments of The Utility Reform Network on the Proposed Decision Authorizing Interim Rate Recovery (TURN Opening Comments), October 13, 2026, at 2.

[52] The Energy Producers and Users Coalition, The Indicated Shippers, and California Large Energy Consumers Association's Comments on Proposed Decision of Administrative Law Judge Regarding Ratesetting, October 16, 2026 (Joint Parties Opening Comments) at 3, citing Proposed Decision at 10-11.

summary relief," and the Court upheld the relief there because "fairness to both the utility and the public required immediate action."[53]

PG&E responds that the proposed decision correctly finds that the Commission may grant interim rate relief under *TURN v. PUC* where "fairness to both the utility and the public required immediate action," and that the Commission weighs factors such as reducing rate shock, ensuring rate stability, and smoothing rate impacts, any one of which may suffice.[54] PG&E states that the Supreme Court in *TURN v. PUC* already rejected the claim that interim rates require a financial emergency or undisputed investment costs, holding that the Commission's power "is not so narrow."[55] PG&E further contends that Cal Advocates' "need and urgency" standard appears nowhere in the Court's decision, that the criticisms built on it should be ignored, and that *Southern California Gas Co. v. PUC* concerns attorney-client privilege, not interim rates.[56]

PG&E also rejects the Joint Parties' claim that the proposed decision fails to explain why immediate action is necessary. PG&E contends that the Joint Parties cite no authority requiring PG&E to identify an operational activity dependent on interim recovery or a threat to its financial integrity, and that the Commission has held "extreme financial conditions" or other "extraordinary situations" are not required.[57] PG&E argues that it showed immediate action was needed to capture the benefits of interim recovery.[58]

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[53] Joint Parties Opening Comments at 3, citing *TURN v. PUC* at 878-879.

[54] Reply Comments of Pacific Gas and Electric Company (U 39 M) on Proposed Decision Authorizing Interim Rate Recovery (PG&E Reply Comments), October 19, 2026, at 1.

[55] PG&E Reply Comments at 1-2 citing *TURN v. PUC* at 872, 879.

[56] PG&E Reply Comments at 2.

[57] PG&E Reply Comments at 3.

[58] PG&E Reply Comments at 3.

5.2. Discussion

We agree with PG&E that fairness to ratepayers requires the Commission to take "immediate" action to capture millions in customer savings because, as the Commission recognizes that "with the passage of time, these benefits may diminish."[59] [60] The benefits of interim recovery here are time sensitive. PG&E estimates that interim recovery beginning January 1, 2027 would save customers approximately $13.6 million to $21.0 million in interest, depending on the percentage authorized.[61] An interim rate relief avoids interest accruing on the undercollection in the memorandum accounts, makes rate changes more predictable by smoothing rates, and avoids shifting costs to future customers if the final decision schedule is delayed beyond May 2027.[62] Interim recovery is also limited and subject to refund with interest, so customers are protected if the final decision authorizes a lower amount.

Regarding fairness to PG&E, granting the IRR Motion aligns recovery more closely with the period in which costs are incurred.[63] If a final decision is expected after the January 1, 2027 test year begins, PG&E will incur costs of service without recovering them in commensurate rates, and even though it will be made whole later, that recovery costs ratepayers more due to accrued interest. PG&E does not claim a financial emergency, and none is required. Fairness to the utility is instead served by aligning recovery more closely with the period in which costs are incurred. Although PG&E seeks 55%, 75%, or 85% of its requested increase, the decision grants measured interim rate relief. Customers bear no risk of overpayment because PG&E will refund any overcollections with interest.

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[59] IRR Motion at 7.

[60] D.24-07-012 at 15; D.24-09-003 at 15.

[61] IRR Motion, Attachment A, Ramaiya Decl. at 15.

[62] IRR Motion, Attachment A, Ramaiya Decl. at 13-21.

[63] IRR Motion at 5, citing D.24-09-003 at 7-8; D.23-06-004 at 10.

Cal Advocates' position that PG&E must show an operational need for funds or concrete harm misstates the standard. *TURN v. PUC* asks whether fairness to both the utility and the public requires immediate action, not whether the utility has an operational need. Timeliness satisfies that standard here because customer benefits are time sensitive. We agree with PG&E that the Commission considers multiple factors in determining whether to grant interim rate recovery and has noted that one factor alone can establish appropriateness.[64] We disagree with Cal Advocates that PG&E must show a need and urgency for a premature interim rate increase. Cal Advocates characterizes the request as a "premature" interim rate increase. Interim relief is, by nature, granted before a final decision, and *TURN v. PUC* rejected the argument that the Commission must make an immediate finding as to reasonableness of costs. The request is timely. The adopted schedule sets the final decision for May 2027, after the January 1, 2027 test year begins, and the benefits of interim recovery would diminish if the Commission waits. The decision views immediacy through quantifiable benefits that erode with delay, not through PG&E's financial condition.

We reject the argument that Pub. Util. Code §§ 451 and 454 restrict interim relief before a final determination that costs are reasonable and prudent. As *TURN v. PUC* explained, the exceptions Cal Advocates identifies, a financial emergency and undisputed reasonableness of investment costs, do not exclude other circumstances that can justify an interim increase.[65] The decision applies a fairness standard to both the utility and the public in granting the IRR Motion. The decision's analysis addresses the Joint Parties' concern that the proposed decision omitted that standard. We find that interim rate relief in an amount less than PG&E requested is reasonable. Interim recovery of up to $456 million in PG&E's requested 2027

[64] PG&E Reply Comments at 3.

[65] *TURN v. PUC* at 870, 872; see also D.13-10-051 at 14.

revenue requirement increase reduces interest costs and rate volatility, protects customers through interest-bearing refunds, and is fair to PG&E because it aligns recovery more closely with the period in which costs are incurred. A limited amount of interim relief balances the interests of the public and the utility, because it provides recovery before the final decision while reducing the risk that customers will be asked to refund a significant overcollection.

As explained further in the decision, we apply a lower percentage increase (55%) to the electric functions, where PG&E requests increases, to limit the risk of overcollection that would have to be refunded. We apply a higher percentage (85%) to the gas functions, where PG&E proposes decreases, so that customers receive more of those reductions sooner. This interim relief is consistent with the fairness standard in *TURN v. PUC* for both the utility and the public, and it is subject to refund with interest at the three-month commercial paper rate pending the final decision in A.25-05-009.

6. Ratepayer Impacts

6.1. Party Positions

Cal Advocates argues that the rate smoothing PG&E shows is negligible. Cal Advocates disputes PG&E's claim that interim relief will smooth rates and reduce rate volatility. It argues that PG&E is essentially asking ratepayers to pre-pay for costs that may never materialize.[66] Cal Advocates further contends that the reduction in volatility PG&E shows is negligible, as PG&E's own estimates show a 5.9% residential bill increase on September 1, 2027 without interim relief, compared with a 1.9% increase on January 1, 2027 and a 2.7% increase on September 1, 2027 under its 55% scenario.[67]

[66] Cal Advocates Response at 6-8.

[67] Cal Advocates Response at 6-8.

TURN disagrees that interim relief would benefit customers, arguing that PG&E's estimated interest savings and rate smoothing both assume the Commission will authorize 100% of PG&E's requested increase when it has historically authorized only about 41% (38% for litigated GRCs).[68] TURN further argues that the interest benefits are modest and the smoothing analysis is overly simplistic because it ignores other rate changes and because correcting an overcollection in September 2027 would itself increase bill volatility.[69] TURN argues that intergenerational equity is not a concern here because the Commission has previously considered only costs incurred years before recovery was foreseeable (as in D.19-04-039 and D.24-03-006), whereas PG&E expects to begin collecting its 2027 revenue requirement on September 1, 2027, so 2027 customers will pay for 2027 costs and any lag in recovery will be minor.[70]

The Joint Parties argue that the proposed decision "ultimately undermines the rate stability it purports to promote."[71] The Joint Parties say that changing rates based on disputed forecast amounts creates a substantial risk that customers will face another rate change when the final decision is implemented,[72] resulting in less stable rates.[73]

PG&E argues that interim recovery smooths rates because the 2027 revenue requirement will not be in rates on January 1, 2027, so a memorandum account will accumulate an undercollection that must be collected on top of the new revenue requirement. PG&E states that interim recovery reduces that balance and therefore

[68] TURN Response at 6.

[69] TURN Response at 7-11.

[70] TURN Response at 11-13.

[71] Joint Parties Opening Comments at 6, citing Proposed Decision at 12.

[72] Joint Parties Opening Comments at 6, citing Proposed Decision at 13-14; Ordering Paragraphs 1-2.

[73] Joint Parties Opening Comments at 6.

the rate change when the final decision is implemented, including if less than 100% of the request is authorized, whereas delaying implementation until fall 2027 would enlarge the undercollection and worsen volatility.[74] PG&E contends that rate smoothing and interest savings are independent benefits. It estimates interest savings of $13.6 million to $21.0 million at the 90-day commercial paper rate (3.71% as of March 2026) and argues that even at half those amounts ($7 to $10.5 million), the Commission has found savings of about $7 million sufficient to justify interim recovery.[75]

On intergenerational equity, PG&E argues that interim recovery allocates costs to customers who benefit from the services, so without it, future customers would bear the revenue requirement for 2027 work, a problem that grows if the schedule slips.[76] PG&E's reply does not address that argument.

6.2. Discussion

TURN and Cal Advocates argue that the rate smoothing benefit is speculative and negligible. They note that PG&E's illustrations assume the Commission authorizes 100% of the requested increase, that those illustrations predate PG&E's reduced request, and that they leave out other rate changes, such as the 2027 Energy Resource Recovery Account forecast. Cal Advocates adds that ratepayers are being asked to pre-pay costs that may never materialize.

We agree that PG&E's illustrations are not a forecast of customer bills, and we do not rely on the specific percentages. We rely on the mechanism and the reasonableness of smoothing rates. The 2027 revenue requirement will not be in rates on January 1, 2027, the difference between the current revenue requirement and the amount ultimately authorized will accumulate in a memorandum account

[74] IRR Motion at 7-10; PG&E Reply Comments at 3-4.

[75] IRR Motion at 6; PG&E Reply Comments at 4.

[76] IRR Motion at 10-11.

because the current rates will not be effective starting January 1, 2027. PG&E will have to collect the balance on top of the new revenue requirement when the final decision is adopted. Interim recovery reduces the balance, so the rate change at implementation is smaller. This is true whether the Commission ultimately authorizes 100% of PG&E's request or less. A smaller undercollection means a smaller true-up under any outcome.

We disagree with TURN's suggestion that delaying implementation until fall 2027 would avoid layered increases.[77] Instead, it would deepen the undercollection and increase the volatility it seeks to avoid. Smoothing is one of several factors we weigh, and the Commission has found a smaller difference is also sufficient to support interim relief.[78] Further in the discussion, we address pre-payment of the revenue requirement. The interim relief is limited to 51.5% of the revenue requirement increase and subject to refund with interest, customers should not pre-pay costs that may never materialize.

Regarding intergenerational equity, we agree with TURN that the regulatory lag here is expected to be shorter than previous GRCs, but it is still unknown. The underlying principle is that costs should be allocated to ratepayers in a manner that more closely aligns with the timing of when they are incurred, and it does not depend on a minimum lag. TURN also acknowledges that the Commission will have to consider amortization. Under the adopted schedule, the undercollection for January through May 2027 will be collected over a 12-month amortization or more that extends into 2028, so customers in 2028 will pay part of the cost of service provided in 2027. Interim recovery reduces that shift. The shift is modest, and we give this factor correspondingly modest weight.

[77] TURN Opening Comments at 4.

[78] D.23-06-004 at 16-22.

TURN and Cal Advocates argue that ratepayers will overpay and that a refund with interest offers little comfort to customers under financial strain. The Commission takes this matter seriously, and the decision adopts several protections in response.

First, the authorized amount is limited to the most recent updated information from PG&E. The decision authorizes $456 million, about 51.5% of PG&E's requested net increase, below any of the 55%, 75%, or 85% scenarios PG&E proposed and within the 31.5% to 56.9% range of recent GRC authorizations.

Second, all amounts collected are subject to refund with interest at the three-month commercial paper rate, the same rate that applies to undercollections, so interest runs in both directions on equal terms.

Third, refunds protect ratepayers, but denying interim relief does not shield them from rate volatility and unpredictable rate changes. Any refund must be returned through rates as soon as possible after the final decision. The limited authorized amount also caps any true-up. Without interim rates, however, a final increase leaves the utility with undercollected balances in the GRC memorandum account during the delay, creating long-term economic pressure on both the utility and ratepayers. Not authorizing interim rates may also require the Commission to amortize collection beyond the 2027 test year.

7. Reasonable Interim Rate Relief

PG&E and the parties presented various interim rate recovery decisions for the Commission's consideration. We reviewed these decisions and find that the Commission has recently granted 50-85% interim rate recovery. However, the circumstances in each case differ from those in this proceeding because each decision addressed applications to recover costs already recorded in memorandum or other regulatory accounts. In the instant Application, PG&E is forecasting revenues needed for operations. Therefore, we consider similar decisions when weighing whether and to what extent to approve PG&E's request, including final

revenue requirement authorizations in recent GRCs. It is reasonable to conclude that interim rate recovery should not exceed authorized amounts in similar cases.

Final authorizations in recent GRCs ranged from 31.5% to 56.9% of the amounts requested. PG&E's 75% and 85% scenarios exceed that range, and its 55% scenario is at the top of it. We are therefore not persuaded to grant PG&E's request in full at any of the percentages it proposed before a final decision.

In the most recently concluded GRC Phase 1, the Commission granted SCE 56.9% of its requested increase for the Test Year 2025 GRC. Of the $1.901 billion increase proposed, $1.082 billion was authorized.[79]

In 2024, the Commission authorized 31.5% of the initial combined request of Southern California Gas Company (SoCalGas) and SDG&E. The two utilities proposed a total increase of $1.368 billion and the Commission authorized $431 million.[80]

In its final decision on PG&E's Test Year 2023 GRC, the Commission authorized 40.9% of the total requested increase: PG&E proposed a $3.198 billion increase and the Commission authorized a $1.307 billion increase.[81]

We adopt interim recovery of 55% of PG&E's requested increases for electric distribution and electric generation, and 85% of its requested decreases for gas distribution and gas transmission and storage, as follows:

Table 5: Authorized Interim Rate Recovery (Millions)

	2026 Revenue Requirement	**2027 Proposed Change**	**Interim Authorization**	**Percent Adopted**
Electric Distribution	$8,819	$722	$397	55%
Electric Generation	$1,220	265	$146	55%
Gas Distribution	$3,104	($63)	($54)	(85%)

[79] D.25-09-010, Appendix B, 2025 CPUC Results of Operations at 4.

[80] D.24-12-074, Appendix A, 2024 GRC FD Revenue Requirement and Base Margin Comparison.

[81] D.23-11-069, Appendix A, Table 1.

Gas Transmission & Storage	$2,196	($39)	($33)	(85%)
Total GRC	**$15,339**	**$885**	**$456**	**51.5%**

The adopted interim increase of $456 million is 2.97% of the 2026 adopted revenue requirement. It equals approximately 51.5% of PG&E's requested net increase, within the range of recent GRC authorizations, and is below the $487 million PG&E would have recovered under its 55% scenario. We apply a higher percentage to the gas functions because PG&E proposes decreases there, and a higher percentage passes more of those decreases to customers sooner.

8. Conclusion

We have reviewed the arguments of PG&E, Cal Advocates, TURN, and the Joint Parties. We find that *TURN v. PUC* does not require an urgency need, a financial emergency, resolving investment related costs, or a prior final determination of costs before interim rates may be set, and that the Commission may grant interim relief where fairness to both the utility and the public requires a timely decision before the final decision.

We find that interim rate relief in an amount less than PG&E requested is reasonable. The relief we adopt reduces interest costs and rate volatility, protects customers through interest-bearing refunds, and is fair to PG&E because it aligns recovery more closely with the period in which costs are incurred. This relief is consistent with the standard of fairness to both the utility and the public.

Accordingly, we grant PG&E's IRR Motion in part, in the amount of $456 million effective January 1, 2027, subject to refund with interest at the three-month commercial paper rate pending the final decision in A.25-05-009. We deny the remainder of PG&E's interim rate relief request.

9. Comments on Proposed Decision

The proposed decision of Administrative Law Judges (ALJs) Elizabeth Fox, Darryl Gruen, and John Larsen in this matter was mailed to the parties in accordance

with Pub. Util. Code §311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Cal Advocates, TURN, and the Joint Parties filed comments on October 13, 2026 and PG&E filed reply comments on October 19, 2026.

These comments are summarized and addressed in the body of the decision, as appropriate. After reviewing the comments, we decline to adopt changes to the decision. Per Rule 14.3(c), we give no weight to comments that fail to focus on factual, legal or technical errors, or merely re-argue a party's position, and therefore do not address those comments here.

The revisions herein have clarified Commission's interpretation of *TURN v. PUC.* The revisions also clarify Commission's rationale for ratepayer protections in the context of rate smoothing, and interest accrual on undercollections.

10. Assignment of Proceeding

Matthew Baker is the assigned Commissioner and Elizabeth Fox, Darryl Gruen, and John Larsen are the assigned ALJs in this proceeding.

Findings of Fact

1. PG&E filed a motion requesting interim authorization to recover 55%, 75%, or 85% of its requested $1.188 billion revenue requirement increase for TY 2027, beginning January 1, 2027, to remain in effect until implementation of a final decision in this proceeding.

2. Cal Advocates, California Large Energy Consumers Association, Energy Producers and Users Coalition, Indicated Shippers, and TURN opposed PG&E's motion.

3. PG&E updated its TY 2027 revenue requirement request to $885 million above the 2026 adopted value.

4. PG&E estimates that interim recovery beginning January 1, 2027 would save customers roughly $13.6 million to $21.0 million in interest, depending on the percentage authorized.

5. PG&E does not claim a financial emergency in its request for an interim rate relief, and there is none.

6. If no interim rate relief is granted, the difference between the current revenue requirement and the amount ultimately authorized in the final decision will accumulate in a GRC memorandum account. PG&E will have to collect that balance on top of the new revenue requirement when the final decision is adopted.

7. Interim recovery reduces the need to accrue a balance in the GRC memorandum account, so the rate change at implementation is smaller whether the Commission ultimately authorizes 100% of the request or less.

8. Interim recovery avoids interest accruing on the undercollection in the memorandum accounts, smooths rates and makes them more predictable, and avoids shifting costs to future customers if the final decision is delayed beyond May 2027.

9. The benefits of interim recovery are time-sensitive and would diminish if the Commission denies any level of interim rate relief.

10. The Commission may grant interim rate relief where fairness to both the utility and the public supports immediate action.

11. PG&E estimates that interim recovery beginning January 1, 2027 would save customers roughly $13.6 million to $21.0 million in interest, depending on the percentage authorized, at the commercial paper rate.

12. PG&E's bill illustrations are not a forecast of customer bills. The bill illustrations predate the updated reduced request and omit other rate changes.

13. If the Phase 1 decision is adopted after the test year begins, PG&E will incur costs of service without recovering them in commensurate rates, and later recovery will cost ratepayers more due to accrued interest.

14. Interim recovery aligns recovery more closely with the period in which costs are incurred.

15. If the proceeding schedule remains unchanged, the regulatory lag is expected to be shorter than in previous GRCs, but it is still unknown.

16. Final authorizations in recent GRCs ranged from 31.5% to 56.9% of the amounts requested.

17. The decision applies a 55% increase in electric functional costs, which is the lower percentage increase to the electric functions, where PG&E requests increases, to limit the risk of overcollection that would have to be refunded.

18. The decision applies an 85% decrease for gas functions, which is the highest percentage decrease to the gas functions, so that customers receive more of those reductions sooner.

19. Based on the combined increase in electric function costs and decrease in gas function costs, interim recovery is limited to up to $456 million of PG&E's requested 2027 revenue requirement increase.

20. The interim relief is subject to refund with interest at the three-month commercial paper rate, pending the final decision in this proceeding, so customers are protected against overpayment by refund with interest.

Conclusions of Law

1. Pub. Util. Code §§ 451 and 454 do not bar interim relief before a final determination that costs are just and reasonable.

2. The Commission has the authority to set interim rates (*City of Los Angeles v. Public Utilities Commission*; *TURN v. PUC*).

3. Interim relief is by nature granted before a final decision, and *TURN v. PUC* rejected the argument that the Commission must make an immediate finding as to the reasonableness of costs.

4. In *TURN v. PUC*, the California Supreme Court held that the Commission could set interim rates where fairness to both the utility and the public supports immediate action. Interim relief is not limited to financial emergencies or undisputed investment costs.

5. It is reasonable to consider fairness to the utility and the public, the public interest, reducing rate shock, intergenerational equity, preserving the utility's financial integrity, minimizing costs to ratepayers, and ensuring rate stability, and one factor alone can establish that interim relief is appropriate.

6. Fairness to ratepayers requires immediate action to capture customer savings, because the benefits of interim recovery are time-sensitive and would diminish with delay.

7. It is reasonable to rely on the rate smoothing mechanism by which interim recovery reduces the memorandum account balance rather than on PG&E's specific bill illustrations.

8. It is reasonable to consider even a smaller amount of savings to ratepayers as sufficient to support interim relief.

9. It is reasonable to align cost recovery more closely with the period in which costs are incurred.

10. It is reasonable to avoid amortization of costs that could result in layering of rate increases in 2028.

11. It is reasonable to consider the amounts authorized in similar cases, including final revenue requirement authorizations in recent GRCs.

12. It is reasonable not to grant PG&E's full request for interim recovery at 55-85% of its requested increase in full at any of those percentages.

13. Interim recovery of up to $456 million of PG&E's requested 2027 revenue requirement increase (55% of the electric distribution and generation increases and 85% of the gas distribution and gas transmission and storage decreases) is reasonable and balances the interests of the public and the utility.

14. Interim relief should be subject to refund with interest at the three-month commercial paper rate, pending the final decision in the proceeding.

15. This proceeding should remain open.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to recover, on an interim rate basis, up to $456 million in revenue requirement, beginning January 1, 2027, to remain in effect until a final decision is implemented. This comprises an increase of $397 million for Electric Distribution and $146 million for Electric Generation, and a reduction of revenue requirement of $54 million for Gas Distribution, and $33 million for Gas Transmission & Storage.

2. Pacific Gas and Electric Company (PG&E) shall promptly refund, with interest at the three-month commercial paper rate, any amount PG&E is authorized to recover pursuant to this decision that exceeds the amount authorized for cost recovery in a final Phase 1 decision in this proceeding.

3. Application 25-05-009 remains open.

This order is effective today.

Dated _____, at San Francisco, California