

Application: 24-06-013  
(U 39 E)  
Exhibit No.: PGE-02S  
Date: August 12, 2024  
Witness: Shannon L. Sims

---

**PACIFIC GAS AND ELECTRIC COMPANY**  
**RATEMAKING MECHANISMS**  
**SUPPLEMENTAL TESTIMONY**

---



PACIFIC GAS AND ELECTRIC COMPANY  
RATEMAKING MECHANISMS  
SUPPLEMENTAL TESTIMONY

TABLE OF CONTENTS

A. Introduction..... 1

B. 2023 General Rate Case Ratemaking..... 1

C. Rate Collection of Authorized VM Expenses ..... 2

D. Rate Collection Impact to Proposed Securitization..... 3

E. Conclusion..... 4

1 **PACIFIC GAS AND ELECTRIC COMPANY**  
2 **RATEMAKING MECHANISMS**  
3 **SUPPLEMENTAL TESTIMONY**

4 **A. Introduction**

5 This supplemental testimony provides Pacific Gas and Electric Company's  
6 (PG&E) amount of Authorized Vegetation Management (VM) operations and  
7 maintenance expenses for 2023 to 2024 (Authorized VM Expenses) that have  
8 been collected in rates or will be collected in rates pursuant to PG&E's 2023  
9 General Rate Case (GRC) Decision (D.) 23-11-069.

10 **B. 2023 General Rate Case Ratemaking**

11 On June 30, 2021, PG&E filed its 2023 GRC requesting the California Public  
12 Utilities Commission (CPUC or Commission) authorize its 2023 GRC revenue  
13 requirements for the period 2023-2026.<sup>1</sup> On April 12, 2022, the Assigned  
14 Administrative Law Judges issued a revised schedule that provided for a final  
15 decision on PG&E's 2023 GRC in the third quarter of 2023. Given that a final  
16 decision on PG&E's 2023 GRC Application would not be issued in time for the  
17 January 1, 2023 rate change, PG&E continued collecting the 2022 authorized  
18 revenue requirement in rates effective January 1, 2023 to be trued up following a  
19 final decision.<sup>2</sup>

20 On November 17, 2023, the Commission issued a final decision,  
21 D.23-11-069, in PG&E's 2023 GRC, approving the application, including the  
22 Authorized VM Expenses. PG&E was ordered to amortize the remaining 2023  
23 revenue requirement over two years (January 1, 2024 through December 31,  
24 2025).<sup>3</sup> Table 6-1 below summarizes the expected dates the 2023 and 2024

---

1 On July 16, 2021, PG&E filed a motion seeking to make the 2023 test year GRC revenue requirements and other ratemaking mechanisms effective as of January 1, 2023, regardless of when the CPUC issued a final 2023 GRC decision. On June 24, 2022, the CPUC issued D.22-06-033 approving PG&E's motion.

2 Advice Letter 6805-E.

3 The remaining 2023 revenue requirement is calculated as the difference between the final 2023 revenue requirement adopted by D.23-11-069 less the placeholder 2022 revenue requirement that was currently in rates (for the period from January 1, 2023 through December 31, 2023).

1 revenue requirements associated with Authorized VM Expenses have or will be  
 2 collected in customer rates.

**SUPPLEMENTAL TESTIMONY TABLE 6-1  
 ADOPTED/IMPUTED 2023 AND 2024 VM EXPENSES IN RATES**

Line No.	Date Effective in Rates	Revenue Requirement in Rates
1	January 1, 2023 – December 31, 2023	<ul style="list-style-type: none"> <li>• 2022 Authorized Base Revenue Requirement from 2020 GRC</li> </ul>
2	January 1, 2024 – December 31, 2024	<ul style="list-style-type: none"> <li>• 2024 Authorized Base Revenue Requirement from 2023 GRC</li> <li>• Half of the Remaining 2023 Revenue Requirement from 2023 GRC</li> </ul>
3	January 1, 2025 – December 31, 2025	<ul style="list-style-type: none"> <li>• Half of the Remaining 2023 Revenue Requirement from 2023 GRC</li> </ul>

3 **C. Rate Collection of Authorized VM Expenses**

4 The rate collection schedule of the total amounts of Authorized VM  
 5 Expenses for 2023 through 2024 is described and detailed in Table 6-2, below.  
 6 Of the total \$2,356,090,000 Authorized VM Expenses for 2023 and 2024, PG&E  
 7 estimates that it has billed approximately \$1,379,912,000 to customers as of  
 8 June 30, 2024, with the remaining revenue to be collected by the end of 2025.<sup>4</sup>

---

4 PG&E's estimate assumes revenues are billed evenly each month over the applicable amortization period and does not consider sales or other variances that may occur.

**SUPPLEMENTAL TESTIMONY TABLE 6-2  
2023-2024 GRC VEGETATION MANAGEMENT BALANCING ACCOUNT COLLECTED IN RATES  
(THOUSANDS OF NOMINAL DOLLARS)**

Line No.	Description of Vegetation Management	Total Authorized Revenue Requirement	Total Rate Collections		
			1/1/2023 – 12/31/2023	1/1/2024 – 12/31/2024	1/1/2025 – 12/31/2025
			(a)	(b)	(c)
1					
2	2023 Authorized Revenue Requirement	\$1,181,820	\$663,096	\$259,362	\$259,362
3	2024 Authorized Revenue Requirement	1,174,270	–	1,174,270	–
4	Total	\$2,356,090	\$663,096	\$1,433,632	\$259,362

- (a) Amount represents VM rate collections in 2023. Because of the timing of the final GRC Decision, amount represents the authorized 2022 Revenue Requirement.
- (b) Amount represents VM rate collections in 2024. In 2024, PG&E collected or will collect the authorized 2024 Revenue Requirement plus half of the remaining RRQ from 2023.
- (c) Amount represents VM rate collections in 2025 related to the remaining uncollected 2023 authorized Revenue Requirement.

**1 D. Rate Collection Impact to Proposed Securitization**

2 Similar to the Initial, Second, and Third Assembly Bill (AB) 1054  
3 Securitizations, PG&E has already begun collecting in rates adopted revenue  
4 requirements, in this case Authorized VM Expenses. As a result, and similar to  
5 the treatment approved in PG&E’s Initial, Second, and Third AB 1054  
6 Securitization proceedings, upon securitization PG&E will record an adjusting  
7 entry related to amounts securitized. In this case, PG&E will record an  
8 adjustment to the Distribution Revenue Adjustment Mechanism (DRAM) to  
9 provide a rate reduction to ratepayers for these previously collected or to be  
10 collected amounts,<sup>5</sup> up to the actual VM expenses incurred that are financed  
11 with the Wildfire Rate Relief Bonds.<sup>6</sup> It should also be noted that interest<sup>7</sup> will  
12 be recorded on the DRAM balance on a monthly basis as part of the normal

<sup>5</sup> As shown above in Table 6-1 and Table 6-2, in accordance with D.23-11-069, PG&E will collect half of the remaining 2023 RRQ in 2025.

<sup>6</sup> PG&E will continue to track and record actual compared to adopted VM expenses in the Vegetation Management Balancing Account over the GRC rate case cycle. If PG&E is underspent in total at the end of the GRC cycle, PG&E will refund the underspent balance through its routine Annual Electric True-Up advice letter process.

<sup>7</sup> PG&E calculates approximately \$56 million interest over the 12-month period assuming 90-day commercial paper rate as of August 2024.

1 monthly accounting close process and will be reflected in the rate reduction for  
2 customers.

3 PG&E proposes that the net proceeds from the issuance of the Wildfire Rate  
4 Relief Bonds be returned to customers through a reduction to electric distribution  
5 rates over a 12-month period. This approach is consistent with the initial  
6 collection of the Authorized VM Expenses in electric distribution rates and will  
7 provide customers a meaningful and sustained reduction to their bills. As  
8 outlined in Chapter 7, PG&E estimates that rates will be reduced by an average  
9 of approximately 7 percent upon implementation of both the distribution rate  
10 reduction and Wildfire Rate Reduction Fixed Recovery Charge. The distribution  
11 rate reduction will be sustained over the proposed 12-month period until the  
12 credit, including interest, is fully provided to customers. Once the 12-month  
13 period ends and the distribution rate reduction is removed, all else equal,  
14 distribution rates will return to levels prior to the issuance of the Wildfire Rate  
15 Relief Bonds.<sup>8</sup> In selecting a 12-month period to amortize the credit, PG&E  
16 designed its proposal to reduce and smooth rates. If an amortization period  
17 shorter than 12 months is adopted, the rate reduction will increase, but it will last  
18 for a shorter period of time and ultimately cause more significant rate volatility  
19 once the rate reduction completes.

## 20 **E. Conclusion**

21 The proposed rate collections described in this chapter are in compliance  
22 with the methodology adopted in the 2023 GRC, and the proposed ratemaking  
23 treatment is consistent with and similar to the ratemaking treatment approved by  
24 the Commission in PG&E's Initial, Second, and Third AB 1054 Securitizations.  
25 While PG&E has begun collections of the Authorized VM Expenses in rates,  
26 customers will be provided a credit for any amounts already collected in rates  
27 through the rate reduction proposal described above.

---

<sup>8</sup> It is premature to know what rate levels will be at the time the rate reduction ends, but the recent upward pressure in rates described in Chapter 1 and summarized in Figure 1-1 in Opening Testimony is in part due to delayed cost recovery that is anticipated to end by 2026, e.g., the 2023 GRC Undercollection.