

Docket	:	<u>A.24-09-014</u>
Exhibit Number	:	<u>CA-15</u>
Commissioner	:	<u>John Reynolds</u>
Admin. Law Judge	:	<u>Nilgun Atamturk/</u>
	:	<u>Nathan Chau/</u>
Public Advocates	:	<u>Ka Ho Lau</u>
Project Mgr.	:	<u>Nathan Chau</u>
Witnesses	:	



PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION

PREPARED REBUTTAL TESTIMONY
ON
REVENUE ALLOCATION
IN
PACIFIC GAS AND ELECTRIC COMPANY'S
2023 GENERAL RATE CASE PHASE 2

San Francisco, California
October 9, 2026

TABLE OF CONTENTS

	Page
CHAPTER 1 – REVENUE ALLOCATION	1
I. SUMMARY AND RECOMMENDATIONS.....	1
II. DISCUSSION	2
A. The Commission should separate all WFM costs from distribution revenues.	2
B. WFM costs should be recovered via PPP because they provide broad societal benefits.....	4
C. WFM costs should be allocated on an Equal Cents/kWh basis.	5
1. WFM costs are not functionally distribution costs.	5
2. Equal cents per kWh allocation is consistent with Commission precedent.	7
a.) Examples of “distribution” costs assigned using the equal cents method.....	7
b.) Other WFM costs are assigned using the equal cents method.....	8
3. The Equal Cents Method ensures fair and equitable distribution of WFM costs.	9
D. FERA should be recovered in PPP and allocated on an equal cents per kWh basis.....	9
1. Like CARE, FERA provides discounts to low-income households.....	9
2. CARE was allocated based on equal cents per kWh allocation even before statute required it.	10
III. CONCLUSION.....	11

1 **CHAPTER 1 – REVENUE ALLOCATION**

2 (Witness: Nathan Chau)

3
4 **I. SUMMARY AND RECOMMENDATIONS**

5 This Rebuttal Testimony responds to The Utility Reform Network’s (TURN)
6 proposals concerning the identification and treatment of wildfire mitigation revenues and
7 Family Electric Rate Assistance Program (FERA) costs.

8 First, Cal Advocates supports TURN’s proposal to identify more wildfire
9 mitigation-related (WFM) revenues. There was \$1.6 billion¹ in WFM costs embedded in
10 the distribution revenue requirement that were not included in Pacific Gas and Electric
11 Company’s (PG&E) special allocator in 2024 alone. The Commission should remove
12 these WFM costs from distribution revenue requirements and include them in the WF
13 specific allocator (a.k.a, the special allocator) because the special allocator recognizes
14 that such costs provide a different purpose than standard distribution investments.

15 Second, because there are significantly more WFM revenues than previously
16 envisioned, Cal Advocates also supports TURN’s proposals to allocate such costs on an
17 equal cents per kilowatt-hour (kWh) basis and to collect them in a Public Purpose
18 Program (PPP) charge as WFM costs. This wildfire-related spending provides broad
19 societal benefits thus it is fair to distribute such costs more broadly than they are
20 currently distributed.

21 Finally, the Commission should adopt TURN’s proposal to recover FERA costs
22 from PPP charges and allocate such costs on an equal cents per kWh basis as the utilities
23 already do for California Alternate Rates for Energy (CARE) program costs. FERA
24 provides rate discounts to low-income customers in a similar manner to CARE and
25 should receive the same treatment.

¹ TURN Exh-03, at 10 for 2024.

II. DISCUSSION

A. The Commission should separate all WFM costs from distribution revenues.

The Commission should identify and separate WFM costs from distribution revenues to allow for more fair allocation and cost recovery. Currently, certain wildfire-related costs totaling approximately \$2.4 billion² are subject to a special allocator. They consist of costs that have been removed from distribution revenues and assigned to each customer class based on a formula agreed to by parties. The special allocator divorces WFM costs from standard distribution costs by adopting a blended Distribution and Equal Percentage of Total Revenue (EPT) allocation method.³ The Commission approved this settlement because WFM work is normatively distinct from ordinary distribution investments, and it is desirable to reallocate these costs away from a strict distribution cost allocation and to more fairly distribute them across all customers.⁴

However, these revenues are still collected through distribution rates⁵ under the settlement agreement, meaning transmission-level customers are exempt from paying such costs even though they benefit from them. The current treatment of wildfire-related costs fails to produce fair outcomes. It does not equitably allocate program costs to all beneficiaries. These outcomes are driven by an allocation method based on compromise rather than factual analysis, as well as the exclusion of several key wildfire costs.

² TURN Exh-03, at 10. These are 2024 figures.

³ Application (A.) 19-11-019, *Motion of Pacific Gas and Electric Company for Adoption of Revenue Allocation Supplemental Settlement Agreement*, April 8 2021, at 9. The first \$500 million in revenue requirements (RRQ) for these three cost categories will be allocated by a 50 percent / 50 percent average of the standard Distribution allocation and an EPT allocation, respectively. All RRQs in excess of \$500 million for these three cost categories will be allocated by a 12.5 percent / 87.5 percent average of the standard Distribution allocation and an EPT allocation, respectively.

⁴ Decision (D.) 21-11-016, *Decision Adopting Marginal Costs, Revenue Allocation, and Rate Designs For Pacific Gas and Electric Company*, November 19, 2021, at 94.

⁵ Application (A.) 19-11-019, *Motion of Pacific Gas and Electric Company for Adoption of Revenue Allocation Supplemental Settlement Agreement*, April 8 2021, at 9.

1 Rapidly growing wildfire costs make it vital to track and handle them accurately.
2 Even just the portion of WFM revenues recognized by the special allocator have risen
3 sharply since 2022, more than doubling from \$994 million in 2022 to \$2.4 billion in
4 2025.⁶ Yet, the special allocator does not comprehensively encompass all eligible
5 wildfire mitigation revenues,⁷ even though it should. The Commission should not treat
6 these revenues in the same manner as standard distribution revenues, for either allocation
7 or collection. In its approval of the revenue allocation settlement agreement, the 2020
8 GRC II decision states that the category should serve as “a catch-all category of wildfire
9 mitigation costs,” which is not limited to specific accounts, but is open to “other revenue
10 requirements, including balancing or memorandum accounts PG&E might establish, that
11 are directly related to Wildfire Mitigation.”⁸

12 TURN identifies \$5.2 billion in expenditures⁹ missing from the wildfire mitigation
13 functional revenue category that span multiple cost categories associated with PG&E's
14 Wildfire Mitigation Plan (WMP).¹⁰ These missing categories are: Routine Vegetation
15 Management (Routine VM) costs recorded to the Vegetation Management Balancing
16 Account (VMBA); WMP Distribution Base costs; and WMP costs in the Overhead and
17 Underground Maintenance Balancing Account (OUMBA).¹¹ Adding these three
18 additional cost categories to the wildfire mitigation functional revenue category would
19 have increased the total revenue captured by the special allocator by 66% from \$2.427
20 billion to \$4.038 billion in 2024, and by 48% from \$2.408 billion to over \$3.562 billion
21 in 2025.¹² This massive discrepancy represents a substantial failure to identify wildfire

⁶ TURN Exh-03, at 5.

⁷ TURN Exh-03, at 6.

⁸ D.21-11-016, at 89.

⁹ TURN Exh-03, at 7. Footnote 27 indicates these values come from PG&E's response to TURN DR 1, Q3. See TURN Exh-04 (Attachments) at 9-11. Totals are expenditures, which do not directly represent revenue requirements effective in rates. These are 2024 values.

¹⁰ TURN Exh-03, at 6.

¹¹ TURN Exh-03, at 7.

¹² TURN Exh-03, at 10.

1 mitigation revenues that requires immediate rectification. Persistently under-identifying
2 wildfire mitigation revenues and separating them from distribution revenues for
3 allocation and cost recovery perpetuates an inequitable and distorted allocation of costs.

4 **B. WFM costs should be recovered via PPP because they**
5 **provide broad societal benefits.**

6 The Commission should shift collection of WFM costs to PPP rates to guarantee
7 that all customers pay their fair share of wildfire expenses. As established, there are
8 more than \$2.4 billion in wildfire mitigation costs¹³ recovered through distribution rates
9 in 2024. However, wildfire mitigation does not provide exclusive benefits to distribution
10 customers; rather, it enhances public safety for all Californians, making a distribution-
11 only recovery mechanism inappropriate. Recovering these costs through non-bypassable
12 PPP charges prevents unfair cost-shifting and ensures equitable recovery.

13 Because these wildfire mitigation costs are bundled into distribution rates, several
14 customer classes are currently exempt from contributing to them, despite benefiting from
15 the resulting public safety improvements. These include customers that take service at
16 the transmission level, and to some extent, net energy metering (NEM) customers.
17 Transmission customers do not pay distribution rates and as a result do not pay the WFM
18 costs assessed through distribution rates. NEM customers can offset some of these costs
19 through generation credits even though energy production does not lower PG&E's
20 wildfire mitigation obligations. Collection of WFM costs in the PPP charge makes these
21 costs non-bypassable, because NEM customers cannot offset such costs via exported
22 production.¹⁴

23 The PPP collection approach also ensures that large, transmission-interconnected
24 data centers contribute to WFM costs. As TURN notes, this is a critical consideration
25 given that PG&E anticipates more than 10 GW of new data center load over the next

¹³ TURN Exh-03, at 10.

¹⁴ NEM customers would still be able to offset a portion of these costs via credits for production consumed onsite (i.e., the portion of production that is not exported).

decade.¹⁵ Additionally, this policy is consistent with Assembly Bill (AB) 2382 which was signed into law on September 21, 2026.¹⁶ The bill added Section 945.4 to the Public Utilities Code, which requires all participating customers pay a reasonable share of the costs relating to wildfire mitigation, wildfire liability, and other societal cost obligations typically collected from distribution-level ratepayers.¹⁷

Collection of WFM costs in PPP is consistent with the treatment of other programs providing societal benefits, such as the CARE low-income discount and energy efficiency programs.¹⁸ Keeping wildfire mitigation costs in distribution rates risks an outcome where certain customers avoid contributing their share of costs to ensure wildfire risks are mitigated. Moreover, assessing these costs on transmission customers will reduce the cost burden shared by all other customers.

C. WFM costs should be allocated on an Equal Cents/kWh basis.

1. WFM costs are not functionally distribution costs.

The Commission should distribute WFM costs using the equal cents allocator because WFM costs are not functionally distribution costs and because they provide shared societal benefits. The equal cents method calculates a flat per-kWh rate by dividing total wildfire mitigation costs by system sales, and applies this charge uniformly to all rate classes. This approach correctly acknowledges that wildfire expenses are distinct from traditional distribution costs.

¹⁵ TURN Exh-03, at 14.

¹⁶ Assembly Bill (AB) 2383 (Zbur, 2025-2026 Reg. Sess.) codified as Public Utilities Code Section 945.1, 945.4, 945.5, 945.6, and 945.8; see also Governor Gavin Newsom, Governor Newsom signs most comprehensive data center laws in the nation, providing communities more control on water, electricity, and land use, September 21, 2026, available at: <https://www.gov.ca.gov/2026/09/21/governor-newsom-signs-most-comprehensive-data-center-laws-in-the-nation-providing-communities-more-control-on-water-electricity-and-land-use/>.

¹⁷ AB-2383 (Zbur, 2025-2026 Reg. Sess.) codified as Public Utilities Code Section 945.1, 945.4, 945.5, 945.6, and 945.8, available at: https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202520260AB2383.

¹⁸ TURN Exh-03, at 14.

1 Since wildfire mitigation provides broad societal benefits that cannot be attributed
2 to any specific customer's or class's demand and usage patterns, a system-wide per-kWh
3 charge is the most accurate allocation tool. Such benefits include reduced risk of material
4 damage to life and property as well as reduced greenhouse gas emissions (GHG). These
5 benefits are non-exclusive and become more critical as these risks intensify. Reducing
6 emissions benefits the environment and society regardless of the demand for energy. In
7 its approval of the special allocator, the Commission agrees that because wildfire
8 mitigation work is normatively distinct from PG&E's ordinary distribution investments,
9 reallocating such costs away from a strict distribution more fairly distributes those costs
10 to all PG&E's customers.¹⁹

11 However, the portion of WFM costs not captured by the special allocator is
12 allocated based on each class's share of marginal distribution cost revenues.^{20 21} These
13 revenues are determined by marginal customer access costs and marginal distribution
14 capacity costs. Marginal customer access costs are the costs associated with physically
15 connecting a new customer to the grid and providing ongoing customer services. These
16 include costs of physical equipment such as transformers, service lines and meters,²² as
17 well as ongoing customer billing and inquiry costs.²³ Marginal distribution capacity costs
18 are the incremental costs of meeting an incremental increase in demand.²⁴ Generally,
19 customer classes with a larger customer base and higher demand are assigned a greater
20 share of marginal distribution costs.

¹⁹ D.21-11-016, at 93-94.

²⁰ The remaining revenue requirements for distribution and generation above marginal cost revenues (MCR) are allocated in direct proportion to the MCRs for each schedule. See PG&E Exh-03, dated January 23, 2026, at 2-11

²¹ To some extent the portion of WFM funds included in the special allocator is also based on each class's share of marginal distribution cost revenues because of the special allocator's formula described at the beginning of Section II. The special allocator is based on a blend of distribution and EPT allocators. And EPT itself, is partially influenced by distribution.

²² PG&E Exh-02, dated October 29, 2025, at 8-2.

²³ PG&E Exh-02, dated October 29, 2025, at 8-2, fn. 5.

²⁴ PG&E Exh-02, dated October 29, 2025, at 6-1.

1 Consequently, under the current framework, each class's allocation of these
2 wildfire mitigation costs is inappropriately linked to kW demand and the number of grid
3 connections. However, these functions of demand and customer hookups and customer
4 services have nothing to do with wildfire mitigation. Unlike capacity upgrades and
5 hookups, wildfire mitigation does not provide unique benefits to distribution customers
6 but improves public safety for all Californians. Rather, WFM costs are incurred
7 irrespective of the amount of demand for energy placed on the distribution system, which
8 is one of the primary cost drivers for developing distribution allocators.

9 **2. Equal cents per kWh allocation is consistent with**
10 **Commission precedent.**

11 There are several past instances where the Commission explicitly chose the equal
12 cents method to allocate costs for programs with broad societal benefits. The
13 Commission did not formally adopt an allocation method for wildfire mitigation costs
14 when it approved the settlement that adopted the special allocator. However, because this
15 issue is being litigated outside of the settlement framework in this case, it is helpful to
16 look at past instances where the Commission adopted the equal cents allocator on similar
17 costs.

18 **a.) Examples of “distribution” costs assigned using the**
19 **equal cents method.**

20 There are multiple instances where the Commission adopted the equal cents
21 approach even for programs that were formally tied to the distribution function. In
22 D.24-05-043, the Decision Denying California Large Energy Consumer Association
23 (CLECA), Energy Producers and Users Coalition’s (EPUC) Petition for Modification of
24 D.22-11-040,²⁵ the Commission upheld equal cents per kWh allocation for long-term

²⁵ D.24-05-043, *Decision Denying California Large Energy Consumer Association, Energy Producers and Users Coalition Petition for Modification of Decision 22-11-040*, June 4, 2024. D.22-11-040, the Commission adopted long-term transportation electrification funding for transportation electrification investment by the investor-owned utilities (IOUs) includes a rebate program primarily focused on behind-the-meter transportation electrification charging infrastructure funded by ratepayers. D.22-11-040, *Decision on Transportation Electrification Policy and Investment*, November 21, 2022.

1 transportation electrification funding for transportation electrification investment by
2 investor-owned utilities (IOU) despite efforts to argue that equal cents per kWh
3 undermines price signals. Similarly, the Commission adopted the equal cents approach in
4 the proceeding where it considered Near-Term Priorities for Transportation
5 Electrification Investments.²⁶

6 This approach is consistent with the Commission's decision in Southern California
7 Edison Company's (SCE) Charge Ready 2 (CR2) proceeding. There, the Commission
8 adopted an equal cents allocator, agreeing with TURN and Cal Advocates that the policy
9 goals of the CR2 investment benefit all customers.²⁷ The Commission found that a
10 uniform cost-sharing approach ensures everyone who benefits from climate change
11 mitigation and cleaner air pays equally, while more accurately reflecting the actual cost
12 drivers of transportation electrification programs.²⁸

13 **b.) Other WFM costs are assigned using the equal**
14 **cents method.**

15 In D.19-10-056, the Commission authorized allocating the Wildfire Fund Non-
16 Bypassable Charge (Wildfire Fund NBC) costs using the equal cents per kWh method
17 and replaced the expiring Department of Water Resources (DWR) Bond Charge with the
18 Wildfire Fund NBC to support managing wildfire risk. In D.21-05-015, the Commission
19 again adopted the equal cents per kWh approach for wildfire-related costs in its decision
20 authorizing PG&E's issuance of Recovery Bonds to fund costs and expenses related to
21 wildfires and other financing costs associated with issuing the Bonds (i.e., "Wildfire
22 Bonds"). These costs are categorically similar to the other WF costs being considered in
23 this proceeding.

²⁶ D.21-07-028, *Decision Setting Near-Term Priorities for Transportation Electrification Investments by the Electrical Corporations*, July 21, 2021, at 77.

²⁷ D.20-08-045, *Decision Authorizing Southern California Edison Company's Charge Ready 2 Infrastructure and Market Education Programs*, September 2, 2020, at 120.

²⁸ D.20-08-045, at 119 and 120.

1 **3. The Equal Cents Method ensures fair and equitable**
2 **distribution of WFM costs.**

3 To ensure a fair and equitable distribution of this burden, the Commission should
4 utilize an equal cents-per-kWh allocation methodology as the most comprehensive
5 mechanism to capture all benefiting customers because it ensures all customers contribute
6 the same \$/kWh rate. Even though these WFM costs have been included in the
7 distribution revenue requirement in the past, it does not mean that they are functionally
8 related to distribution. Consistent with past precedents, the Commission has treated
9 similar costs differently to reflect their true functions. Wildfire mitigation programs
10 provide wide-ranging societal benefits that extend far beyond grid operations, meaning
11 these costs should be distinguished from traditional distribution expenses. Thus, the
12 Commission should apply the equal cents method to assign *all*²⁹ WFM costs.

13 **D. FERA should be recovered in PPP and allocated on an**
14 **equal cents per kWh basis.**

15 **1. Like CARE, FERA provides discounts to low-**
16 **income households.**

17 To ensure consistency, the Commission should allocate FERA costs using the equal
18 cents method and assess them through PPP charges, just like it currently does for CARE
19 program costs. Both programs share nearly identical objectives. CARE gives a 30-35%
20 bill discount to low-income customers³⁰, while FERA provides an 18% discount to
21 families whose incomes are just above the CARE threshold.³¹ Since both FERA and
22 CARE provide critical discounts to low-income households, they should be structured the
23 same way. There is no logical reason to deviate from the established CARE framework
24 when treating FERA costs. Given FERA's currently low penetration rate of 16%, it is

²⁹ Meaning, the portion of WFM costs not currently in the special allocator, and those in the special allocator.

³⁰ <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/care-fera-program>.

³¹ <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/care-fera-program>.

1 vital that the Commission address this inconsistent treatment before penetration rates
2 increase to maintain fair allocation.³²

3 **2. CARE was allocated based on equal cents per kWh**
4 **allocation even before statute required it.**

5 The Commission should allocate FERA costs using the equal cents method
6 without waiting for a statutory mandate. The statutory mandate that CARE program
7 costs be allocated based on the equal cents per kWh method did not always exist.
8 Accordingly, the Commission should give no weight to assertions that FERA cannot be
9 allocated using the equal cents method simply because it lacks an identical statutory
10 mandate to CARE. The clear functional alignment between the two programs remains
11 the overriding factor.

12 Specifically, in D.89-09-044,³³ the Commission addressed low-income rates
13 adjustment (LIRA) program costs, the predecessor to CARE. In that decision, the
14 Commission ordered that utilities recover LIRA³⁴ costs through a volumetric surcharge
15 across all applicable customer classes on an "equal cents per kilowatt-hour (kWh)" or
16 "equal cents per therm" basis³⁵ immediately after the legislature mandated the program.
17 It reasoned that doing so ensured that a single ratepayer class did not bear the entire
18 burden.

19 It was not until 2009 that the equal cents allocation method was memorialized into
20 law with the passage of Senate Bill 695 (2009).³⁶ For two decades, this "equal cents"

³² https://liob.cpuc.ca.gov/wp-content/uploads/sites/14/2026/05/A.19-11-003-et-al._PGE-2025-ESA-CARE-FERA-Annual-Report_05-01-2026.pdf, at 85. Accessed on 9/23/2026.

³³ D.89-09-044, *Final Opinion*, September 7, 1989, 1989 Cal.PUC LEXIS 429.

³⁴ Low-Income Ratepayer Assistance (LIRA). The Rename (1994): The California Public Utilities Commission (CPUC) issued Decision (D.) 94-12-049, which formally updated the program's guidelines and changed the name to CARE. D.94-12-049, *Opinion Modifying D.89-07-062, D.92-04-024, and D.92-06-060*, December 21, 1994, 1994 Cal.PUC LEXIS 1067

³⁵ D.07-09-016, *Decision Rejecting Discounting Public Purpose Programs*, September 7, 2007, at 3-4.

³⁶ SB 695 (Kehoe, 2009) codified to amend Public Utilities Code Sections 327, 382, 739.1, and 747, and to add Sections 365.1, 739.9, 745, and 748, available at: https://www.leginfo.ca.gov/pub/09-10/bill/sen/sb_0651-0700/sb_695_bill_20091011_chaptered.html.

1 sales-based allocation was a regulatory practice maintained by the CPUC before it was
2 codified in law. The Commission more recently adopted FERA as an additional low-
3 income discount program adopted on February 26, 2004, under D.04-02-057.³⁷ The
4 differences in the programs does not alter the fact that FERA provides financial
5 assistance comparable to CARE. Notably, before statutory mandates were enacted,
6 CARE program costs were allocated using the equal cents-per-kWh methodology and
7 recovered through PPP rates. Given these historical precedents and functional
8 similarities, the Commission should apply the same ratemaking treatment to FERA.

9 **III. CONCLUSION**

10 To ensure that all customers pay their fair share of costs that provide broad
11 societal benefits, the Commission should include all WFM costs in the special allocator
12 and allocate them on an equal cents per kWh basis and collect them from PPP charges.
13 Consistent with this goal, the Commission should likewise allocate FERA program costs
14 on an equal cents per kWh basis and collect them from PPP charges.

³⁷ D.04-02-057, *Final Opinion on Phase 2 Issues*, March 1, 2004;
https://www.sdge.com/sites/default/files/FERA%25202008%2520Annual%2520Report_0.pdf, -Accessed
on 9/23/2026.

APPENDIX A

Qualification of Witnesses

PREPARED TESTIMONY
OF
NATHAN CHAU

Q.1 Please state your name and address.

A.1 My name is Nathan Chau and my business address is 505 Van Ness Avenue, San Francisco, California.

Q.2 By whom are you employed and what is your job title?

A.2 I work in the Electricity Pricing and Customer Programs Branch of Cal Advocates as a Regulatory Analyst.

Q.3 Please describe your educational and professional experience.

A.3 I hold a Bachelor of Science degree in Applied Economics from the University of the Pacific. My degree included coursework in finance, economics, and econometrics that I find relevant to this case. Since joining the Commission in April 2015, I have actively participated in a number of rate cases such as SDG&E's General Rate Case Phase II (A.23-01-008), PG&E's General Rate Case Phase II (A.16-06-013), the Time-of-Use Order Instituting Rulemaking (R.15-12-012), the Application on SB 350 Transportation Electrification Proposals (A.17-01-021) and the Order Instituting Rulemaking to Revisit Net Energy Metering Tariffs (R.20-08-020). I also worked as project coordinator and witness in PG&E's General Rate Case Phase II (A.19-11-019).

Q.4 What is your area of responsibility in this proceeding?

A.4 I am project coordinator and author for Chapters 2 and 5 on MGCC and Revenue Allocation in Cal Advocates' Prepared Testimony in this proceeding.

Q.5 Does that complete your prepared testimony?

A.5 Yes, it does.