

Application: 24-11-007

(U 39 M)

Exhibit No.: PGE-19

Date: March 13, 2026

Witness(es): Various

PACIFIC GAS AND ELECTRIC COMPANY

ELECTRIC RULE NO. 30

FOR TRANSMISSION LEVEL RETAIL ELECTRIC SERVICE

EXHIBIT (PGE-19)

PG&E LIMITED OPENING TESTIMONY



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PACIFIC GAS AND ELECTRIC COMPANY

APPLICATION FOR APPROVAL OF ELECTRIC RULE NO. 30
FOR TRANSMISSION LEVEL RETAIL ELECTRIC SERVICE

LIMITED OPENING TESTIMONY IN RESPONSE TO ADMINISTRATIVE
LAW JUDGE’S RULING ESTABLISHING PROCEEDING SCHEDULE



PACIFIC GAS AND ELECTRIC COMPANY
APPLICATION FOR APPROVAL OF ELECTRIC RULE NO. 30
FOR TRANSMISSION LEVEL RETAIL ELECTRIC SERVICE
LIMITED OPENING TESTIMONY IN RESPONSE TO ADMINISTRATIVE LAW
JUDGE'S RULING ESTABLISHING PROCEEDING SCHEDULE

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peak load share), inputs or data required, a comparison of how this method differs from PG&E’s proposed approach, any jurisdictional considerations underlying your proposal, and how to avoid double counting of California Independent System Operator planned upgrades. Please answer the following questions. [Karen Khamou Ornelas] 13

a. How should an additional financing requirement for Type 4 facilities be calculated? 13

b. Is it reasonable to calculate an additional financing requirement per MW of capacity requested, so it applies equally to all customers based on needed capacity? If so, how should this per-MW additional financing amount be calculated? (For example: [\$100,000/MW default value] x [requested capacity in MW]). 13

c. Is it reasonable to calculate customer-specific financing requirements based on the actual transmission network upgrades (i.e., Type 4 facilities) required to energize each customer, and the specific location or other characteristics of each customer? If so, how should this customer-specific additional financing amount be calculated? For example: $\sum$ [cost of each upgrade] x [percentage of that upgrade’s capacity used by customer]..... 14

d. How should this additional financing occur? For example, should the financing occur through a pre- funded loan or other up-front payment mechanism? Alternatively, should the financing occur through a methodology similar to the Base Annual Revenue Calculation process, like for Types 1-3 Facilities? 15

e. Given your answers above, how should the financing mechanism treat a subsequent customer whose energization depends on the same transmission network upgrades? 15

f. PG&E performs cluster studies to identify some of the needed transmission network upgrades. Given your answers above regarding how the proposal allocates a cluster’s upgrade costs to each transmission level customer in the cluster study, are there any issues with the proposed financing requirement aligning with PG&E’s cluster study process?-level customer in the cluster

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PROCEEDING SCHEDULE**

Pacific Gas and Electric Company (PG&E) respectfully submits this limited opening testimony in response to the *Administrative Law Judge’s Ruling Establishing Proceeding Schedule* issued by Administrative Law Judge (ALJ) Toy on January 9, 2026 (ALJ Ruling). PG&E has structured its testimony to correspond to the six questions asked in the ALJ Ruling and the question subparts. For each section, we have identified the PG&E witness who is sponsoring the testimony.

As a preliminary matter, PG&E clarifies that it interprets Judge Toy’s questions related to Facility Type 4 cost allocation to mean cost allocation as it pertains to PG&E’s proposed Electric Rule 30. Specifically, “allocation” relates to up-front advances during the interconnection construction process before energization. This testimony does not address revenue allocation among all customer rate classes or rate design as “rate structures” are outside the scope of Electric Rule 30. PG&E understands that the Commission intends to address rate design and rate structure issues in a future rulemaking.¹

Question 1: If a Preliminary Engineering Study (PES) determines that a customer seeking transmission level energization has triggered the need for a Type 4 upgrade, how should the costs for that upgrade be allocated? Specifically, should such costs be allocated to that customer, or among a defined class of large load or data center customers? If multiple customers involved in a cluster study collectively require a Type 4 upgrade, how should the costs of that upgrade be allocated among participants in that cluster study, and what allocation methodology would be appropriate (e.g., by MW ratio of total MW of the cluster study)? [Karen Khamou Ornelas]

Question 1 raises two primary issues: (1) how should network transmission upgrades (i.e., Facility Type 4) costs be allocated; and (2) how should these upgrade costs be allocated among and between multiple customers involved in a cluster

¹ See *Administrative Law Judge’s Ruling Denying Motion to Amend the Scoping Memo to Include New Issues Related to Large-Load Customers*, issued September 9, 2025, in Application 24-09-014 at 4 (“The Commission may address rate design issues relating to large load customers in the new rulemaking.”).

study and/or among a class of customers. In the subsections below PG&E:
(1) reiterates the strong factual and legal basis not to seek advances for network transmission upgrade costs from specific customers; (2) provides an alternative proposal for the allocation of transmission network upgrade costs if the California Public Utilities Commission (Commission) rejects PG&E's primary proposal; and (3) provides an overview of potential jurisdictional issues.

A. PG&E's Initial Allocation Proposal for Facility Type 4 Should be Adopted

In its Opening Post-Hearing Brief, PG&E explained in detail why allocating Facility Type 4 costs to all transmission customers was consistent with:
(1) Commission, Federal Energy Regulatory Commission (FERC), and judicial precedent; (2) the factual record developed in this proceeding; and (3) PG&E's and the California Independent System Operator's (CAISO) transmission planning processes (TPP).² In addition, PG&E's opening brief demonstrated that proposals to allocate Facility Type 4 costs to specific customers would likely be unworkable and inequitable.³ Finally, although I am not an attorney, I understand that PG&E's Opening Brief also demonstrated that efforts to allocate network transmission upgrade costs to specific customers might be preempted by federal law.⁴

In addition to the reasons outlined in PG&E's Opening Brief, recent load forecasts developed by the California Energy Commission (CEC) demonstrate why the Commission should not try to allocate Facility Type 4 costs to a specific customer or group of customers. Included as Attachment A to this testimony is a January 21, 2026, graph prepared by the CEC of the Main Drivers for Peak Load Growth from 2025-2045. As is evident from this graph, some of the primary drivers of peak load growth are consumption, electric vehicles, and electrification. In fact, of the five peak load growth increases identified by the CEC, totaling 25,241 megawatts (MW), data centers only account for

² Pacific Gas and Electric Opening Post-Hearing Brief (Oct. 24, 2025), (PG&E Opening Brief) at pp. 21-30; see also Exhibit PGE-04 at p. 13, line 23 to p. 14, line 2 (citing *Hinds v. Entergy Services*, 117 FERC ¶ 61,210 (2006), *Public Service Company*, 62 FERC ¶ 61,013 (1993) at 61,061; *Duke Energy Progress LLC v. FERC*, 106 F.4th 1145 (D.C. Cir. 2024)).

³ PG&E Opening Brief at pp. 30-31.

⁴ PG&E Opening Brief at pp. 28-30.

1 18.7 percent of the peak load growth in the CAISO area. Transmission network
2 upgrades will be needed to accommodate all of the drivers of load growth, not
3 just data centers. The Commission should not single out data centers or
4 transmission-level customers to shoulder upgrade costs since much of the
5 growth in peak load is due to other drivers unrelated to these customers.

6 If PG&E's proposal for the Facility Type 4 construction costs is adopted by
7 the Commission, the other parts of Question 1 would not be applicable. Instead
8 of requiring advances for transmission network upgrade costs from a specific
9 customer, cluster of customers, or class of customers, these costs would be paid
10 by all transmission customers through FERC-jurisdictional rates. Thus, the
11 Commission would not need to address the allocation of Facility Type 4 costs to
12 specific customers, clusters of customers, or customer classes in this
13 proceeding.

14 If the Commission rejects PG&E's proposal and instead decides to require a
15 transmission-level retail electric customer or cluster of customers to advance the
16 transmission network upgrade (*i.e.*, Facility Type 4) costs, the Commission
17 should consider the potential unintended consequences of such a decision. If a
18 transmission-level customer does not want to advance or pre-fund the Facility
19 Type 4 costs, it may instead choose to locate in the service area of a
20 publicly-owned utility such as Silicon Valley Power (SVP) or the City of Palo Alto
21 (Palo Alto). Because these utilities are connected to PG&E's transmission
22 system, the additional load from a transmission-level customer may require
23 PG&E to build Facility Type 4 upgrades to its transmission system. In this case,
24 PG&E will not be able to pass these costs onto the transmission-level customer
25 because it will be a retail customer of, for example, SVP or Palo Alto. Instead,
26 the Facility Type 4 costs will be allocated to all transmission customers, but
27 PG&E's existing ratepayers will receive none of the benefits of the revenues
28 from the new transmission-level customer. In short, PG&E's existing ratepayers
29 could pay the costs for transmission network upgrades but not receive the
30 benefits of a new transmission-level customer's revenue. The Commission has
31 no jurisdiction over publicly-owned utility rates, nor can the Commission require
32 a transmission-level retail electric customer in a publicly-owned utility's service
33 area to pay the costs of Facility Type 4 upgrades. To avoid creating an unlevel
34 playing field that encourages this kind of conduct, the Commission should allow

Facility Type 4 costs to be allocated to all transmission level customers, which is exactly what will happen if a transmission-level customer locates in a publicly-owned utility's service area.

B. In the Alternative, the Commission Should Adopt PG&E's Customer Responsibility Proposal for Facility Type 4

Although PG&E strongly supports its initial Facility Type 4 proposal, if the Commission requires advances for Facility Type 4 construction costs from transmission-level customers, PG&E is providing in this testimony an alternative proposal for the Commission's consideration. I will refer to this alternative proposal as the "Customer Responsibility Proposal."

PG&E's Customer Responsibility Proposal is modeled after the CAISO's process for allocating transmission network upgrade costs to generators. Although there are significant differences between generators and transmission level retail electric customers, the CAISO's transmission network upgrade methodology is well-established, has been reviewed and approved by FERC, and provides a rational approach to transmission network upgrade costs.

PG&E's Customer Responsibility Proposal includes five key elements: (1) identification of the Facility Type 4 costs that would be advanced by transmission-level customers; (2) the cost allocation methodology for advances by a single transmission-level customer and/or a cluster of transmission-level customers;⁵ (3) determination of the amount of costs that would be advanced by a customer or cluster of customers; (4) the refund methodology for Facility Type 4 costs funded by a customer or cluster of customers; and (5) timing for implementation. Each of these five elements of the Customer Responsibility Proposal is addressed below. In addition, PG&E also addresses below the issue raised in the ALJ Ruling regarding allocation of costs to a class of customers and explains why this issue is outside of the scope of this proceeding. To be clear, however, while PG&E is only offering the Customer Responsibility Proposal in response to the ALJ Ruling, it strongly believes that the Commission should adopt PG&E's initial proposal.

⁵ A "cluster of transmission-level customers" refers to a group of separate customers that are studied together for interconnection purposes as a cluster.

1. Identification of Facility Type 4 Costs

The first step in developing a methodology to allocate Facility Type 4 costs is to determine which transmission network upgrade costs should be upfront funded by a customer and/or cluster of customers. When the CAISO prepares an interconnection study for a single generator or a cluster of generators, it starts with an Interconnection Base Case. The Interconnection Base Case assumes proposed or actual upgrades already approved by the CAISO through the TPP or other approval processes as well as proposed upgrades associated with previously executed Large Generator Interconnection Agreements (LGIA).⁶ The Interconnection Study then identifies transmission network upgrades that are required to interconnect a generator that are in excess of any upgrades already approved by the CAISO or contracted for by an executed LGIA with another generator. Generators are not allocated costs for and are not required to fund transmission network upgrades that were included in the Interconnection Base Case or executed LGIAs because these upgrades are proceeding regardless of the generator coming online.⁷

In addition, the CAISO identifies two types of transmission network upgrades when performing an Interconnection Study for a generator. First, Reliability Network Upgrades (RNU) are upgrades that are necessary to interconnect the generator to the CAISO-controlled transmission system and would “not have been necessary but for the interconnection of one or more Generating Facilities...”⁸ RNUs are similar to Facility Type 3, new transmission facilities that will be controlled by the CAISO and are necessary to interconnect transmission-level customers. Since PG&E is already proposing that transmission-level customers upfront fund Facility Type 3, CAISO Tariff provisions related to RNUs are not as relevant to the allocation of Facility Type 4 costs.

The second type of network upgrade in the CAISO Tariff is a Delivery Network Upgrade (DNU) which includes additions, modifications, and

⁶ CAISO Tariff, Appendix A, Definition of Interconnection Base Case.

⁷ CAISO Tariff, Appendix KK, § 14.2.2.

⁸ CAISO Tariff, Appendix A, Definition of Reliability Network Upgrade.

1 upgrades to a utility's transmission system at or beyond the point of
2 interconnection, other than RNUs.⁹ A DNU is similar to Facility Type 4.

3 In the remainder of my testimony, I will refer to transmission network
4 upgrades that are required to interconnect a transmission-level retail electric
5 service customer and/or cluster of customers above and beyond what is
6 already planned for and approved as "Incremental Transmission Network
7 Upgrades." Incremental Transmission Network Upgrades would not include:
8 (1) upgrades that have been approved by the CAISO through the TPP or are
9 approved in a future TPP; and (2) upgrades that address load growth and
10 other needs, such as electrification or reliability, generally and are not solely
11 triggered by a transmission-level retail electric customer and/or a cluster of
12 transmission-level retail electric customers. This definition of Incremental
13 Network Transmission Upgrades is consistent with the ALJ Ruling that
14 describes Facility Type 4 costs that are "triggered" or "require[d]" by a
15 specific customer or cluster of customers.¹⁰

16 Although PG&E's current PES Reports do include information about
17 transmission network upgrades, that information is not the same as
18 identifying Incremental Transmission Network Upgrades. PG&E's current
19 PES Reports include two types of transmission network upgrades. First, the
20 PES Report identifies Preliminary Capacity Upgrades, which are newly
21 identified transmission network upgrades that: (a) meet the needs of the
22 specific project at issue in the PES Report; (b) may also meet the needs of
23 the other customers included in a cluster study; and (c) may serve broader
24 residential and commercial customer load growth driven by electrification,
25 electric vehicles, and other emerging demands or reliability needs. Second,
26 the PES Report identifies Dependent Network Upgrades, which are
27 upgrades approved or proposed through the CAISO TPP, which the project
28 also depends on to meet its ramp-up schedule. Dependent Network
29 Upgrades may also support: (a) other customers in a cluster study;
30 (b) generation resources; and (c) broader residential and commercial load
31 growth driven by electrification, electric vehicles, and other emerging

⁹ CAISO Tariff, Appendix A, Definition of Delivery Network Upgrade; see also Large Generator Interconnection Agreement (Definitions).

¹⁰ ALJ Ruling, Question 1.

demands. Because both types of transmission network upgrades in the PES Reports reflect broader grid development needs, the transmission network upgrades listed are not wholly attributable to a single transmission-level retail electric customer or customer cluster. Thus, these upgrades are different than the Incremental Transmission Network Upgrades.

If the Commission adopts PG&E's Customer Responsibility Proposal, PG&E will develop the necessary processes to clearly identify in PES Reports the Incremental Transmission Network Upgrades (i.e., upgrades triggered and required by transmission-level customers) for which a transmission-level customer or cluster of customers will be responsible and the costs associated with the Incremental Transmission Network Upgrades. This will allow all future transmission-level customers to evaluate whether the customer wants to proceed with a project given the Facility Type 4 (i.e., Incremental Transmission Network Upgrades) costs that it would be required to fund.

2. Allocation Methodology for Incremental Transmission Network Upgrade Costs

Once the Incremental Transmission Network Upgrades projects and associated costs are identified, PG&E would then need to allocate these costs to transmission-level customers so that these customers can pre-fund the upgrades. The allocation methodology for these costs would be different for individual transmission-level retail electric customers as compared to a cluster of customers.

If the Incremental Transmission Network Upgrade is triggered by a single transmission-level customer that has been studied individually rather than being studied through a cluster process, that customer would be responsible for upfront fund the estimated costs of the Incremental Transmission Network Upgrade, subject to refund as described below. The customer may elect not to proceed with the project based on these Incremental Transmission Network Upgrade costs or may elect to proceed.

On the other hand, if the Incremental Transmission Network Upgrade is triggered by a cluster of transmission-level customers, rather than a single customer, then under the Customer Responsibility Proposal the costs would

1 be allocated using the ratio of each transmission-level customer's maximum
2 requested load for interconnection purposes divided by the total load of the
3 cluster. For example, if three customers were a part of a cluster and each
4 customer requested a 10 MW load interconnection, each customer would
5 then be allocated 33.3 percent (i.e., 10 MW/30 MW) of the costs of the
6 Incremental Transmission Network Upgrade. This is also consistent with the
7 CAISO's approach for certain generator-related transmission network
8 upgrade costs. For example, General Reliability Network Upgrades are
9 allocated based on the maximum MW output of each generator in a group
10 study.¹¹

11 After receiving the PES Report including the cost of Incremental
12 Transmission Network Upgrades, some transmission-level customers in a
13 cluster may decide not to proceed while others elect to proceed. In that
14 case, PG&E would need to perform a re-assessment of the needed
15 Incremental Transmission Network Upgrades for the remaining cluster
16 customers. Incremental Transmission Network Upgrade costs would then
17 be allocated based on this re-assessment. For example, if one of the three
18 transmission-level customers in the scenario that I described above dropped
19 out, the remaining two customers would be allocated 50 percent of the
20 Incremental Transmission Network Upgrade costs (i.e., 10 MW/20 MW). In
21 order to avoid constant reassessments that result in a moving target for
22 costs, PG&E recommends that a maximum of two assessments be
23 performed – a first assessment based on the cluster and a re-assessment if
24 any transmission-level customers decide not to proceed after the initial
25 assessment. This approach is consistent with the CAISO Tariff which
26 provides for a single re-assessment after the initial assessment.

¹¹ CAISO Tariff, Appendix DD, § 6.3.1. The CAISO Tariff includes a number of different kinds of allocation methodologies for different types of network upgrades, such as allocations based on power flows and short circuit duty contribution. See e.g., CAISO tariff, Appendix KK, § 6.3.2. However, because Incremental Transmission Network Upgrades for transmission-level load customers is primarily based on the forecasted MWs of customer load, it makes sense to allocate costs based on forecasted MW load.

1 **3. Determination of the Amount of Incremental Transmission Network**
2 **Upgrade Costs**

3 Incremental Transmission Network Upgrade costs should be based on
4 the estimated costs at the time the interconnection agreement is signed.
5 This way, a transmission-level customer will know the exact amount of
6 Incremental Transmission Network Upgrade costs it will incur and thus need
7 to finance. Moreover, the risk associated with using estimated costs is low,
8 as transmission-level customers will be fully refunded the Incremental
9 Transmission Network Upgrade costs following energization. This proposed
10 approach is consistent with the CAISO Tariff which includes limits a
11 generator's cost responsibility to a "Maximum Cost Responsibility" and
12 "Maximum Cost Exposure" based on estimated costs.¹²

13 **4. Refund Methodology for Allocated Incremental Transmission Network**
14 **Upgrade Costs**

15 Under PG&E's Customer Responsibility Proposal, a transmission-level
16 customer would be refunded the portion of the estimated Incremental
17 Transmission Network Upgrade costs advanced by the customer. Refunds
18 would commence when a customer's facility is energized and would be paid
19 annually over a five-year period.

20 Each refund payment would represent one fifth of the refundable
21 principal amount, adjusted for the applicable interest, similar to the CAISO's
22 treatment of generator payments for transmission network upgrades.
23 However, there are several differences regarding interest between PG&E's
24 Customer Responsibility Proposal and the payment of interest to generators
25 under the CAISO Tariff and the LGIA. First, under the CAISO Tariff and
26 LGIA generators are paid FERC-interest rates.¹³ Under the Customer
27 Responsibility Proposal, refund payment interest would be based on 1/12 of
28 the most recent month's interest rate on commercial paper (prime, three
29 months), published in the Federal Reserve Statistical Release, H.15. This is

¹² CAISO Tariff, Appendix A, Definition of Maximum Cost Responsibility and Maximum Cost Exposure; see also CAISO Tariff, Appendix KK. § 14.3.1 (participating transmission owner is responsible for capital costs that exceed the interconnection customer's cost responsibility).

¹³ See e.g., CAISO Tariff, Appendix KK, § 14.3.2 (describing interest rate and calculation).

1 the same interest rate PG&E has proposed for Facility Types 1-3.¹⁴ This
2 would benefit existing ratepayers because the commercial paper rate is
3 typically substantially lower than the FERC-interest rates.

4 Second, under the Customer Responsibility Proposal, interest would
5 accrue from the date PG&E receives the customer's advance payment for
6 the Incremental Transmission Network Upgrades and would continue to
7 accrue throughout the Interest Period, using the same Interest Period rules
8 applied to Facility Types 1 through 3.¹⁵ No interest would accrue after
9 defined interest period. Under the CAISO Tariff, interest accrues once the
10 funds are provided to the utility and continues to accrue over the five-year
11 period *after* a facility starts delivering energy.¹⁶ PG&E's Customer
12 Responsibility Proposal limits the accrual of interest and thus reduces costs
13 for existing ratepayers.

14 Interest included in each refund payment would reflect the proportionate
15 share of interest associated with the refunded principal for that year. The
16 total refund would not exceed the refundable portion of the customer's
17 advance, inclusive of interest calculated.

18 If a customer terminates service prior to or after energization and the
19 Incremental Transmission Network Upgrade is still required for broader grid
20 needs, the customer will be refunded the amount advanced, without interest.
21 If the Incremental Transmission Network Upgrade is no longer required and
22 the customer terminates service prior to or after energization, PG&E would
23 retain the amounts corresponding to work performed to date to ensure these
24 costs are not shifted to other customers and refund the remaining amount,
25 without interest.

26 **5. Applicability**

27 If transmission-level retail electric customers are required by the
28 Commission to provide advance funding for Incremental Transmission
29 Network Upgrades, this requirement should only be prospective in nature.

¹⁴ Exhibit PGE-04, Attachment A (Electric Rule 30), Section G (definition of Interest Rate).

¹⁵ Exhibit PGE-04, Attachment A (Electric Rule 30), Section G (definition of Interest Period).

¹⁶ CAISO Tariff, Appendix KK, § 14.3.2 (describing interest calculation).

1 Transmission-level customers that have entered into interconnection
2 agreements prior to a final Commission decision in this proceeding have
3 done so based on an expectation of what costs they would and would not
4 incur. These customers have made decisions based on the costs as the
5 customer understood it at the time it executed the interconnection
6 agreement. The Commission should not go back and retroactively change
7 the rules on these customers by requiring them to provide funding for
8 Incremental Transmission Network Upgrades. If the Commission adopts
9 PG&E's Customer Responsibility Proposal, or a proposal by another party
10 regarding Facility Type 4 costs, it should do so only prospectively for
11 interconnection agreements executed after a final decision on
12 Electric Rule 30.

13 **6. Allocation to a Class of Customers**

14 Question 1 included a question asking whether Facility Type 4 costs
15 should be allocated "among a defined class of large load or data center
16 customers." PG&E understands the ALJ Ruling to be asking about the
17 allocation of initial construction costs for Facility Type 4 for purposes of
18 advance funding, as compared to revenue allocation and rate design which
19 is outside the scope of this proceeding. As indicated above, PG&E does not
20 believe that specific customers or classes of customers should be required
21 to upfront fund Facility Type 4 costs. In the alternative, PG&E has offered
22 the Customer Responsibility Proposal which would allocate Incremental
23 Transmission Network Upgrade costs to an individual large load customer or
24 cluster of customers.

25 Furthermore, there is no transmission-voltage large load rate class at
26 this time and revenue allocation and rate design issues are not in scope in
27 the Rule 30 proceeding. To the extent a customer rate class is created for
28 transmission-voltage large load customers, PG&E believes the issue of how
29 costs should be allocated to the class for recovery through rates would be
30 addressed in a future proceeding.

31 **C. Potential Jurisdictional Issues**

32 Since PG&E filed its Electric Rule 30 application, there has been
33 considerable interest nationally in large load customer issues. For example, in

1 *Interconnection of Large Loads to the Interstate Transmission System*, Docket
2 No. RM26-4-000, FERC has requested comments on a potential Advance
3 Notice of Proposed Rulemaking (ANOPR) which addresses a number of large
4 load customer interconnection issues, including cost allocation and cost
5 responsibility. In addition, the CAISO published a *Large Load Consideration*
6 *Issue Paper* on January 30, 2026, which raises a number of issues for
7 comments including cost allocation. I am not an attorney and am not addressing
8 here jurisdictional issues raised in these venues and others. It is important to
9 note, however, that FERC may assert jurisdiction over cost responsibility for
10 Facility Type 4 costs in which case, proposals in this proceeding may become
11 moot.

12 **Question 2: For Type 1-3 facilities, customers finance the initial costs of these**
13 **facilities. Is it reasonable to impose an additional financing requirement on**
14 **large load transmission customers to reflect the costs of transmission**
15 **network upgrades (i.e., Type 4 facilities), and if so, why? [Karen Khamou**
16 **Ornelas]**

17 PG&E understands that the reference to “financing requirement” in this question
18 is a reference to the allocation of Facility Type 4 costs and the requirement that a
19 transmission-level customer or cluster of customers advance some or all of these
20 costs, with the opportunity for a subsequent refund. As indicated in the response to
21 Question 1 above, PG&E believes that its initial proposal that Facility Type 4 costs
22 be adopted consistent with FERC, federal court, and Commission precedent. In the
23 alternative, PG&E has provided the Customer Responsibility Proposal. PG&E
24 understands that its response to Question 1 also addresses Question 2.

Question 3: If the Commission were to adopt an additional financing requirement for transmission network upgrades, please provide responses below detailing how that requirement should work. In any proposals, specify the methodology for determining share (e.g., based on peak load share), inputs or data required, a comparison of how this method differs from PG&E's proposed approach, any jurisdictional considerations underlying your proposal, and how to avoid double counting of California Independent System Operator planned upgrades. Please answer the following questions.
[Karen Khamou Ornelas]

a. How should an additional financing requirement for Type 4 facilities be calculated?

If the Commission determines that Facility Type 4 costs should be advanced up front, the Commission should adopt the Customer Responsibility Proposal outlined in PG&E's response to Question 1.

b. Is it reasonable to calculate an additional financing requirement per MW of capacity requested, so it applies equally to all customers based on needed capacity? If so, how should this per-MW additional financing amount be calculated? (For example: [\$100,000/MW default value] x [requested capacity in MW]).

PG&E understands this subpart to reference a situation in which a cluster of customers "triggers" the need for Incremental Transmission Network Upgrades. If the Commission requires that transmission-level retail electric customers, including a cluster of customers, advance Incremental Transmission Network Upgrade costs, the Commission should adopt the Customer Responsibility Proposal described in PG&E's response to Question 1.¹⁷

However, PG&E recognizes that the decision to locate a new facility that requires transmission-level service is complex and involves a number of variables such as, but not limited to, land costs and availability, permitting, other utilities such as water availability, and proximity to resources, employees and other facilities owned by the customer. A transmission-level customer has a number of factors to consider in deciding where to locate a facility—the costs of Facility Type 4 upgrades may only be a minimal factor in the decision where to locate a facility and thus, even if the Commission adopts the Customer

¹⁷ See Question 1, Section B.2 (addressing allocation among a cluster of customers).

1 Responsibility Proposal, it may not be determinative of where
2 transmission-level customers locate. The Commission should also keep
3 in mind the risk that imposing Facility Type 4 costs on transmission-level
4 customers may result in those customers locating their facilities in the
5 service area of a publicly-owned utility, as described in PG&E's
6 response to Question 1, or outside of California. In either case, existing
7 ratepayers would lose the substantial benefits associated with
8 transmission-level customer revenues.

9 The risk that customers will choose to locate their facilities outside of
10 California is particularly high if customers are required to provide upfront
11 funding for Facility Type 4 costs. Operating in California already comes
12 with comparatively high costs. If the Commission requires upfront
13 funding for Facility Type 4 costs, it will become even more expensive to
14 locate a facility in California.¹⁸ Pushing these customers to other states
15 will risk jobs, tax revenue for the State and local governments, and
16 California's predominance in the technology sector.¹⁹

17 **c. Is it reasonable to calculate customer-specific financing**
18 **requirements based on the actual transmission network upgrades**
19 **(i.e., Type 4 facilities) required to energize each customer, and the**
20 **specific location or other characteristics of each customer? If so,**
21 **how should this customer-specific additional financing amount be**
22 **calculated? For example: $\sum [\text{cost of each upgrade}] \times [\text{percentage}$**
23 **of that upgrade's capacity used by customer].**

24 As discussed in response to Question 1, Section B.1, under PG&E's
25 Customer Responsibility Proposal, Incremental Transmission Network
26 Upgrade costs would be determined in the PES Report and then
27 allocated to a single transmission-level customer or, if the upgrades

¹⁸ See California Large Energy Consumers Association Opening Brief (CLECA), at p. 7.

¹⁹ See Exhibit PGE-04 at p. 2, lines 20-25 (citing Exhibit CalAdv-01 at 10-11, n.27-29) ("[d]ata centers provide economic benefits and can generate substantial local tax revenues"); see also *State Taxation of Data Centers*, Jared Walczak, Tax Foundation (Dec. 2025) (data center located in Silicon Valley could contribute \$20,000,000 annually in state and local tax revenue); *Data Center Employment Forecast Analysis*, Angela Ryu and Shon R. Hiatt, (Dec. 3, 2025), Hamm Institute for American Energy, Oklahoma State University (estimating up to 1.3 construction workers and .24 full time operation workers per MW).

1 result from a cluster study, to a cluster of transmission-level customers
2 based on the MW load proposed by each customer in the cluster.

- 3 **d. How should this additional financing occur? For example, should**
4 **the financing occur through a pre-funded loan or other up-front**
5 **payment mechanism? Alternatively, should the financing occur**
6 **through a methodology similar to the Base Annual Revenue**
7 **Calculation process, like for Types 1-3 Facilities?**

8 PG&E described in its response to Question 1, Section B.3 how the
9 Incremental Transmission Network Upgrade costs would be calculated
10 and in Section B.4 how refunds would be provided under the Customer
11 Responsibility Proposal.

12 With regard to the type of financing, under the Customer
13 Responsibility Proposal, the estimated costs for the Incremental
14 Transmission Network Upgrades would be paid by the
15 transmission-level customer or cluster of customers similar to an
16 Advance for Facility Types 1-3. Specifically, the transmission-level
17 customer or cluster of customers would provide an advance to PG&E
18 based on the estimated cost of the Incremental Transmission Network
19 Upgrades. As PG&E explained in response to Question 1, Section B.3,
20 unlike Facility Types 1-3, the advance for Incremental Transmission
21 Network Upgrades (i.e., Facility Type 4) would be based on estimated
22 costs and would not be trued up to actual costs.

23 Finally, this subpart refers to financing similar to the Base Annual
24 Revenue Calculation (BARC) process. For clarity, the BARC process is
25 not used to determine pre-funding for Facility Types 1-3. Instead, the
26 BARC process is used after a facility is energized to determine refunds.

- 27 **e. Given your answers above, how should the financing mechanism**
28 **treat a subsequent customer whose energization depends on the**
29 **same transmission network upgrades?**

30 As explained above in response to Question 1, under the Customer
31 Responsibility Proposal, Incremental Transmission Network Upgrade
32 costs would be allocated to an individual transmission-level customer or
33 cluster of customers who “triggered” the upgrade. A subsequent
34 customer whose facility utilizes the Incremental Transmission Network

Upgrades that have already been paid for would not be responsible for the costs associated with these upgrades. This approach may encourage subsequent transmission-level customers to locate their facilities in areas where further Facility Type 4 upgrades are not required because the Incremental Transmission Network Upgrades have already been constructed which would be an efficient outcome from a system perspective.

- f. **PG&E performs cluster studies to identify some of the needed transmission network upgrades. Given your answers above regarding how the proposal allocates a cluster's upgrade costs to each transmission level customer in the cluster study, are there any issues with the proposed financing requirement aligning with PG&E's cluster study process?—level customer in the cluster study, are there any issues with the proposed financing requirement aligning with PG&E's cluster study process?**

Transmission Network Upgrades are dynamic and may shift as additional customers enter the queue, grid conditions evolve, and the CAISO's planning priorities change. These developments create several challenges in assigning cost responsibility and administering financing requirements for Incremental Transmission Network Upgrades. First, upgrades initially identified as Incremental Transmission Network Upgrades in a PG&E cluster study may later be included in CAISO's TPP, at which point all transmission customers should be responsible for these costs.

Second, upgrades that customers have already funded may be replaced by new upgrades triggered by additional customers entering the queue, particularly when evolving system needs render the original upgrade no longer necessary.

Third, as discussed above in response to Question 1, Section B.2, if one or more customers drop out of a cluster after the initial assessment, PG&E may need to perform a re-assessment to determine if Incremental Transmission Network Upgrades are still needed and, if so, the cost responsibility for the remaining customers in the cluster.

If the Commission adopts the Customer Responsibility Proposal, PG&E believes that financing requirements can be aligned with the

1 cluster study process if, as a part of that process, PG&E makes clear to
2 participants that: (1) Incremental Transmission Network Upgrade costs
3 will be identified; and (2) these costs may be subject to re-assessment
4 based on additional load outside of the cluster process and/or potential
5 customers dropping out of the cluster process.

6 It bears repeating that any process to assign Facility Type 4 costs to
7 specific customers will have detrimental impacts. In addition to
8 incentivizing customers to locate facilities in other states, re-assessment
9 of cost responsibility will create uncertainty for customers. These
10 concerns reemphasize PG&E's position that specific customers should
11 not be required to provide upfront funding for Facility Type 4 costs.
12 However, PG&E believes that – if the Commission determines that
13 specific customers should be required to provide upfront funding for
14 some portion of Facility Type 4 costs – the Customer Responsibility
15 Proposal is the most practicable option.

16 **Question 4: Explain how costs for Facility Types 2 and 3 should be allocated**
17 **to a subsequent customer who uses facilities built and funded entirely or**
18 **partially by the initial customer. Please provide examples. In your response,**
19 **specify: [Ben Moffat]**

20 **a. Scenarios as examples on how calculations would work;**

21 In Electric Rule 30, PG&E has proposed that subsequent
22 transmission-level retail electric customers benefiting from the facilities
23 paid for by an earlier customer will not be responsible for the costs of
24 Facility Types 2 and 3. The cost to the initial customer will generally be
25 refundable except for costs related to Special Facilities. However,
26 PG&E has proposed a Subsequent Use Refund provision which allows
27 subsequent customers to help refund the initial customer under specific
28 circumstances. In Exhibit PGE-01, PG&E described in detail how this
29 proposal would work and provided an example of refund calculations for
30 an initial and subsequent customer for Facility Types 2 and 3 costs.²⁰

20 Exhibit PGE-01 at p. 52, line 11 to p. 54, line 6, (describing subsequent customer refunds associated with Facility Types 2 and 3 costs).

1 **b. The basis for the subsequent customer's cost responsibility if it**
2 **did not incur upfront costs;**

3 Please see PG&E's response to Question 4.a.

4 **c. How the "total refund amount" for the subsequent customer is**
5 **calculated and how refund amounts that exceed subsequent**
6 **customer's total refund amount is calculated;**

7 The total refund amount for a subsequent customer is calculated
8 consistent with Electric Rule 30 and is defined in Section G in the
9 definition of "Total Refund Amount." A subsequent customer's Total
10 Refund Amount would not include refunds associated with Facility Types
11 2 and 3 incurred by an earlier customer because the subsequent
12 customer is not paying these costs.

13 Once a subsequent customer's Total Refund Amount has been
14 refunded, PG&E would continue to calculate refund amounts based on
15 the revenues generated by the subsequent customer and any refund
16 amounts that exceed the Total Refund Amount would be provided to the
17 initial customer that paid for Facility Types 2 and 3 if the initial customer
18 has not yet received its Total Refund Amount. An example is provided
19 in Exhibit PGE-01.²¹

20 **d. Whether and how cost responsibility is reallocated among**
21 **customers when additional customers begin taking service; and**

22 Under PG&E's proposed Electric Rule 30, cost responsibility
23 remains unchanged when a subsequent customer utilizes Facility
24 Types 2 and 3. PG&E does not recommend a reallocation approach
25 due to the passage of time (i.e., the initial customer may have already
26 fully refunded for the Facility Types 2 and 3), level of complexity, and
27 existing refund provisions benefitting the initial customer.

²¹ Exhibit PGE-01 at p. 52, line 30 to p. 54, line 6, (describing subsequent customer refunds associated with Facility Types 2 and 3 costs).

- 1 **e. Whether the initial customer's previously incurred costs become**
2 **the baseline for subsequent customers' BARC reviews or other**
3 **refund calculations.**

4 Refunds are calculated separately for each customer based on the
5 refundable costs specific to that customer and the revenues generated
6 by that customer. Subsequent customer refunds should not be based
7 on Facility Type 2 and 3 costs incurred by an initial customer.

8 **Question 5: Explain how PG&E should administer refunds when there is an**
9 **Apportionment Agreement among Joint Applicants under Section C.6, and a**
10 **subsequent customer arrives outside the Joint Applicant group who uses the**
11 **same facilities. Please provide examples. Specifically: [Ben Moffat]**

- 12 **a. How should the agreed-upon apportionments among Joint**
13 **Applicants interact with PG&E's refund obligations;**

14 Electric Rule 30, Section C.6 addresses circumstances where
15 several customers are identified as utilizing Facility Types 2 and/or 3.
16 Under this provision, the customers are required to enter into an
17 Apportionment Agreement to allocate Facility Type 2 and 3 costs. The
18 customers may negotiate the Apportionment Agreement on their own or,
19 where necessary, PG&E can facilitate the development of an
20 Apportionment Agreement. The Apportionment Agreement will be used
21 to allocate actual costs. After costs are allocated, each customer would
22 receive a refund based on its allocated portion of the costs and its
23 revenues using the BARC methodology for that specific customer.

- 24 **b. Should Joint Applicants' internal cost allocations modify**
25 **subsequent customers' refund obligations; and**

26 No. Subsequent customers do not pay for the Facility Types 2 and
27 3 costs incurred by the joint applicants under the Apportionment
28 Agreement. However, refunds from a subsequent customer would be
29 apportioned among the initial customers consistent with the terms of the
30 allocation in the Apportionment Agreement.

1 **c. How should refunds be administered if the sequencing of**
2 **energization differs among Joint Applicants and subsequent**
3 **customers?**

4 The refund period will start the first full calendar year after
5 energization of each customer's respective facility. The sequence of
6 customers energizing and coming online would not impact the allocation
7 of costs under the Apportionment Agreement. A customer would begin
8 to receive refunds on its allocated portion of the Facility Type 2 and 3
9 costs using the BARC methodology after the customer's facility is
10 energized and begins producing revenues.

11 **Question 6: PG&E proposes that an initial customer may receive additional**
12 **refund amounts from subsequent customers that exceed the subsequent**
13 **customer's total refund amount, as long as they do not exceed the initial**
14 **customer's Total Refund Amount. Please provide examples and explain:**
15 **[Ben Moffat]**

16 **a. How such additional refunds are calculated;**

17 As explained in response to Question 4.a above, in Electric Rule 30,
18 PG&E has proposed that subsequent transmission-level retail electric
19 customers benefitting from the facilities paid for by an earlier customer
20 will not be responsible for the costs of Facility Types 2 and 3. The cost
21 to the initial customer will generally be refundable except for scope
22 deemed Special Facilities. In addition, PG&E has proposed a
23 Subsequent Use Refund provision which allows subsequent customers
24 to help refund the initial customer under specific circumstances. In
25 Exhibit PGE-01, PG&E described in detail how this proposal would work
26 and provided an example of refund calculations for an initial and
27 subsequent customer for Facility Types 2 and 3 costs.²²

28 Table 1 below provides a further example of how the refunds are
29 calculated when a subsequent customer uses Facility Types 2 and/or 3
30 paid for by an initial customer. In this example, the initial customer
31 (Customer A) paid \$25 million for Facility Types 2 and 3. The
32 subsequent customer (Customer B) only had to pay \$10 million because

²² Exhibit PGE-01 at p. 52, line 11 to p. 54, line 6, (describing subsequent customer refunds associated with Facility Types 2 and 3 costs).

it utilized some of the Facility Types 2 and/or 3 equipment installed by the initial customer. After the subsequent customer is fully refunded for \$10 million, it continues to generate revenues that, but for the fact the subsequent customer has been fully repaid, would justify additional refunds. In this case, the subsequent customer would not be entitled to refunds beyond \$10 million, but the \$4 million in additional refunds produced by the subsequent customer's revenues are provided to the initial customer who has not yet received its total refund amount of \$25 million. This approach is just and reasonable because, but for the initial customer fully paying for the Facility Types 2 and/or 3 equipment, the subsequent customer would have had to pay additional costs beyond the \$10 million that it paid. The additional refunds generated by the subsequent customer's revenues are then appropriately applied to the remaining amount to be refunded to the initial customer. Table 1 below walks through this example.

**TABLE 1
EXAMPLE OF SUBSEQUENT CUSTOMER REFUND**

Line No.	Refund Year	Customer A Online	Customer B Online	Customer A Annual BARC Refund Calculation	Customer B Annual BARC Refund Calculation	Customer A Annual Refund (max \$25,000,000)	Customer B Annual Refund (max \$10,000,000)
1	1	Yes		\$10,000,000		\$10,000,000	
2	2	Yes		\$5,000,000		5,000,000	
3	3	Yes		\$0		0	
4	4	Yes	Yes	\$0	\$7,000,000	0	\$7,000,000
5	5	Yes	Yes	\$0	\$7,000,000	4,000,000	3,000,000
6	6	Yes	Yes	\$0		0	0
7	7	Yes	Yes	\$0		0	0
8	8	Yes	Yes	\$0		0	0
9	9	Yes	Yes	\$0		0	0
10	10	Yes	Yes	\$0		0	0
11					Total Refunds	\$19,000,000	\$10,000,000

b. The source of funds for these refunds if the subsequent customer's own BARC eligible refunds or net revenues are insufficient to support the refund obligation;

The amount of a subsequent customer's refund applied to the initial customer refund amount only occurs if: (1) the subsequent customer

1 has received its Total Refund Amount; and (2) based on the BARC
2 methodology, the subsequent customer's revenue produces additional
3 refunds above the Total Refund Amount that can then be provided to the
4 initial customer. If the subsequent customer's refund is less than its
5 Total Refund Amount, then no additional refund would be applied to the
6 initial customer's refund amount. Similarly, if the initial customer had
7 already received its full Total Refund Amount, no additional refunds from
8 the subsequent customer would be applied.

9 **c. How these calculations apply in cases where the initial customer**
10 **materially underperforms its load commitment while the**
11 **subsequent customer materially over-performs; and**

12 In this instance, the initial customer would likely not generate
13 sufficient revenue to be materially refunded. However, if the subsequent
14 customer who utilizes the Facility Type 2 and/or 3 equipment paid for by
15 the initial customer generates significant revenue, such that the BARC
16 formula calculates refunds above the subsequent customer's refundable
17 amount, those additional refund amounts would be refunded to the initial
18 customer. This is appropriate because, but for the initial customer
19 paying for the Facility Type 2 and/or 3 costs, the subsequent customer
20 would have incurred higher costs and also been eligible for higher
21 revenues.

22 **d. Whether PG&E's proposed BARC mechanism is capable of**
23 **supporting such irregular refund flows without exposing**
24 **ratepayers to risk.**

25 PG&E's BARC refund approach provides refunds that are
26 reasonably tied to the revenues generated and the expected useful life
27 of the infrastructure. In addition, Electric Rule 30 protections such as
28 actual-cost billing, a minimum demand charge, and an early termination
29 fee protect ratepayers from the risks of stranded assets. Finally, PG&E
30 has decades of experience implementing the BARC methodology under
31 Electric Rules 15 and 16 and thus risks from "irregular refund flows" is
32 unlikely.

PACIFIC GAS AND ELECTRIC COMPANY
ATTACHMENT A
CALIFORNIA ENERGY COMMISSION –
MAIN DRIVERS OF PEAK LOAD GROWTH



Item 6: Resolution Adopting the California Energy Demand Forecast, 2025-2045

January 21, 2026 Business Meeting

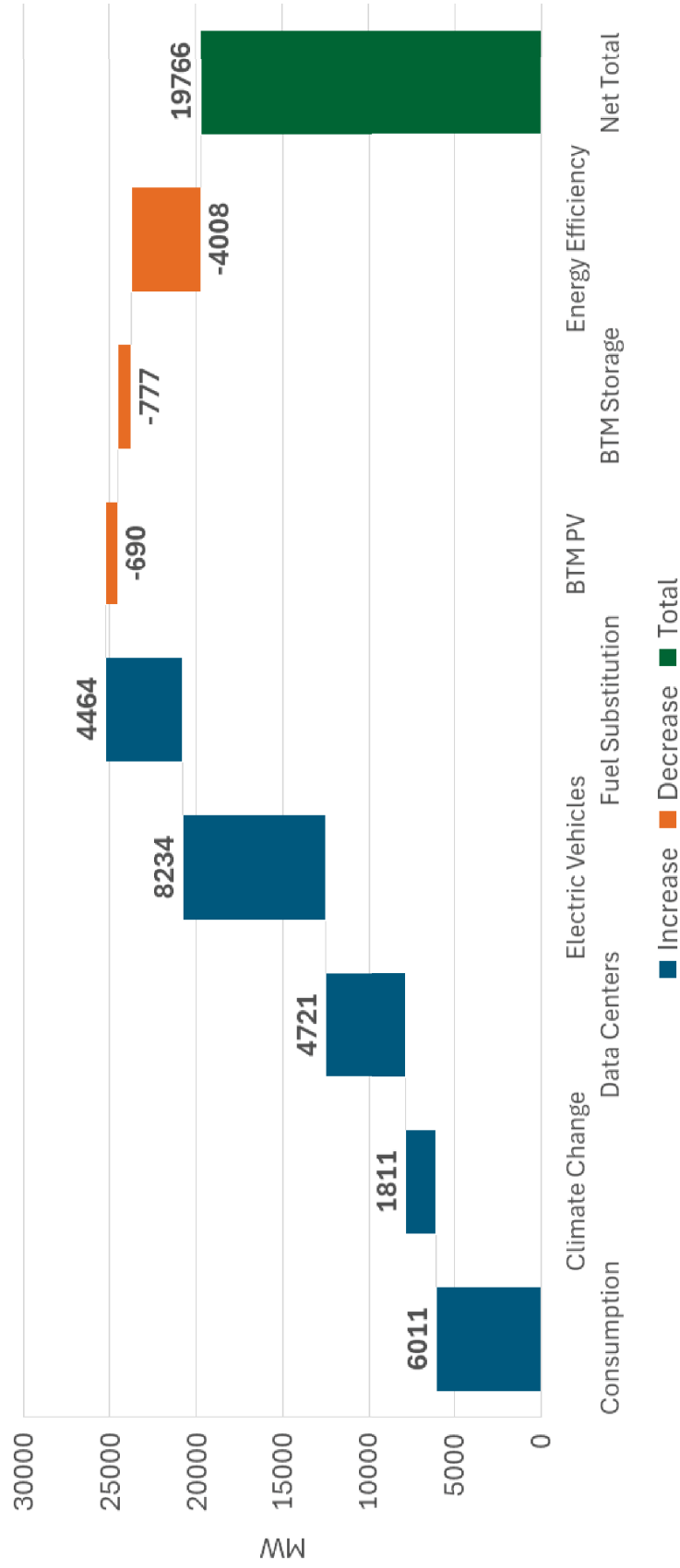
AtchA-1

Nick Fugate, Lead Forecaster
Energy Assessments Division, Demand Analysis Office



Main Drivers of Peak Load Growth

CED 2025 Planning - CAISO load growth from 2025 to 2045
(September Peak Day, 6-7pm PDT)



Source: CEC