Application: 25-11-001
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Exhibit No.: PGE-07
Date: August 3, 2026
Witness(es): Various

PACIFIC GAS AND ELECTRIC COMPANY

KINCADE AND DIXIE AB 1054 WILDFIRE COST REVIEW AND RECOVERY

TESTIMONY ERRATA
(CHANGED PAGES ONLY)

PACIFIC GAS AND ELECTRIC COMPANY
KINCADE AND DIXIE AB 1054 WILDFIRE COST REVIEW AND RECOVERY PROCEEDING
TESTIMONY ERRATA
(CHANGED PAGES ONLY)

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PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 2

PRUDENCE OF OPERATIONS

TABLE 2-1
WILDFIRE MITIGATION PLAN MILESTONES COMPLETED (2019–2021)

Category	2019	2020	2021
System Hardening (miles hardened)	171 line miles	342 line miles	210 line miles
Enhanced Vegetation Management	2,498 line miles	1,878 line miles	1,983 line miles
Trees Worked	1.52 million	~~1.81 million~~ 1.79 million	1.83 million
Transmission Inspections	49,715 structures	26,282 structures	26,286 structures
Distribution Inspections	694,250 poles	349,692 poles	480,749 poles
Weather Stations Installed	426 weather stations	378 weather stations	308 weather stations
High-Definition Cameras Deployed	124 HD cameras	216 HD cameras	153 HD cameras
Distribution Sectionalization	241 devices	604 devices	269 devices
Transmission Line Switching		54 switches	41 switches

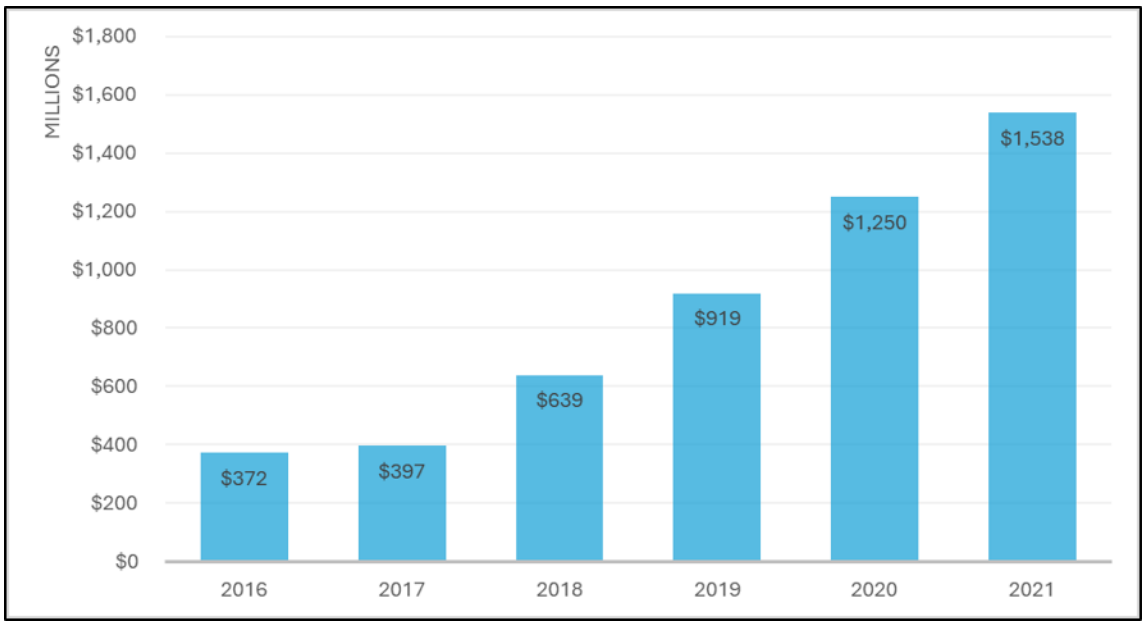
C. Design and Construction of PG&E's Electrical Facilities [Carrell James Gill]

PG&E designed and constructed its transmission and distribution electrical facilities based on regulatory requirements, operational experience, local conditions, and technological and industry developments.

1. Electric Line Design and Construction

GO 95 sets forth "Rules for Overhead Electric Line Construction," including requirements related to the design, construction, and maintenance of overhead powerlines. PG&E maintains a variety of internal standards to implement GO 95 requirements and support the safe and reliable design, construction, and operation of overhead transmission and distribution lines, including conductors and jumpers, insulators, poles, steel lattice towers, and other facilities.

FIGURE 2-4
ANNUAL SPENDING ON VEGETATION MANAGEMENT (MILLIONS)



The increase in investment reflected, in part, the expansion of PG&E's vegetation management workforce—from 4,446 in 2019 to 10,265 in 2021—together with increased work, as the number of trees trimmed or removed annually grew from approximately 1.36 million in 2016 to over 1.8 million in 2020 and remained elevated through 2021, as shown in Table 2-2.

TABLE 2-2
ANNUAL TREES TRIMMED OR REMOVED
(2016–2021)

2016	2017	2018	2019	2020	2021
1.36 million	1.36 million	1.35 million	1.52 million	~~1.81 million~~ 1.79 million	1.83 million

All vegetation management activities were overseen by PG&E employees, including Regional Managers, Supervising Vegetation Program Managers and Vegetation Program Managers for geographical divisions throughout PG&E's service area. During the relevant time frame, PG&E utilized qualified contractors to perform vegetation management inspections and tree work, a standard practice across the industry. PG&E worked with a select group of well-established contractors that engaged and trained vegetation management inspectors with specified education and experience.

and circumstances. Distribution operators dispatched highly-qualified field personnel called troubleshooters to investigate or remediate issues as needed. Distribution operators could actively control PG&E's distribution system by remotely operating SCADA-capable reclosers, circuit breakers, and other field devices, and also took action in coordination with field personnel. The primary tool used by distribution operators was the Distribution Management System (DMS), which displayed various maps and information regarding circuits, including the locations of fuses, switches, transformers, and other devices.

The SCADA system generated alarms that were transmitted to the GCC or DCC when specified events occurred on PG&E's electrical system. For example, PG&E's Utility Procedure TD-2700P-09 ("Responding to Emergencies and Alarms") set forth SCADA alarms for DCCs, with assigned priority levels ranging from Priority 1 (lowest) to Priority 10 (most critical). Higher priority level alarms (Priorities 6 to 10) required immediate action and included events such as circuit breaker and line recloser operations, transformer oil level and temperature alarms, and fires. Priorities 4 and 5, which included events like security alarms and other less urgent field alarms, required operators to analyze the situation and take action as needed. Lower priority level alarms had various required actions depending on alarm type, with Priority 1 alarms informational only.

When fuses rather than line reclosers and relays operated and de-energized line sections in response to events on the system, the DCC generally received notice of outages from PG&E's Outage Management Tool or field personnel. The Outage Management Tool is a web-based application populated by customer calls and smart meter notifications.

Unplanned outages are a common feature of operating a high-voltage electric system. For example, based on records in PG&E's ILIS database, PG&E experienced approximately ~~1,121~~1,411 unplanned outages on distribution lines in HFTDs in the two months preceding the Dixie Fire. Outages were often caused by transitory events such as animal contacts, balloons, or tree branches blowing across the powerlines. When outages occurred on the distribution system, field personnel were dispatched to investigate the cause of the outage, in coordination with distribution

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CHAPTER 3B

THE DIXIE FIRE

the outside phases attached to a lower crossarm on the pole and the center phase attached to the pole itself. The line turned at Pole 908, and jumper conductors connected the lower conductors on the Subject Span to Fuse 17733 and the conductors attached to the upper crossarm. As shown in Figure 3B-3, the conductors at Pole 909 were in a triangular configuration, with the outside phases attached to brackets and the center phase elevated and attached to an insulator mounted on top of the pole. The conductors were #4 copper primary conductor. Cal Fire did not identify any equipment-related issues or failures associated with ignition of the Dixie Fire.

As described in Chapter 2: Prudence of Operations and in more detail in PG&E's Wildfire Mitigation Plans during the relevant time frame, PG&E was implementing and prioritizing system hardening projects based on risk. At the time of the Dixie Fire, PG&E was in the middle of implementing a system hardening project on the Bucks Creek 1101 Circuit based on a recent change in the assessment of equipment risk on the line. In particular, as PG&E developed and refined its circuit risk models, there were significant adjustments to the risk rankings of distribution circuits. Under the 2020 version of PG&E's wildfire risk model, the Bucks Creek 1101 Circuit was ranked 1,605 out of 3,205 circuit sections for system hardening. PG&E's 2021 Wildfire Distribution Risk Model (2021 Risk Model) yielded revised risk rankings and identified the circuit as 11 out of ~~3,365~~3,635 circuit sections for risk of equipment failure.[27] The 2021 Risk Model rankings became the new framework for prioritizing system hardening projects.

PG&E moved very quickly after this increased risk ranking for equipment risk to approve the Bucks Creek 1101 Circuit for system hardening and begin executing the approved hardening. The plan for hardening the Circuit, which was reviewed and approved in approximately January 2021 by PG&E's Wildfire

[27] The Bucks Creek 1101 Circuit's elevated risk ranking for equipment failure under the 2021 Risk Model was based on the presence of older and smaller gauge conductor, the presence of splices from prior conductor repairs, and estimates of acres burned and fire intensity generated from fire-consequence modeling. The circuit had a significantly lower risk ranking for vegetation contact, used for prioritizing EVM work, as described above.

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CHAPTER 4

EXTERNAL FACTORS

TABLE 4-5
ACTIVE FIRES BURNING IN THE WESTERN US AND ALASKA DURING THE DIXIE FIRE

Name	Area	Date Range		State
		Discovered	Contained	
Sugar	105,076	7/2/2021	9/23/2021	CA
Tamarack	67,054	7/4/2021	10/26/2021	CA
Bootleg	413,717	7/6/2021	8/14/2021	OR
Jack	24,165	7/6/2021	11/15/2021	OR
Shovel Creek (Snake River Complex)	90,535	7/7/2021	8/15/2021	ID
Lick Creek	80,437	7/7/2021	8/28/2021	WA
Green Ridge	43,639	7/7/2021	10/14/2021	WA
Thorne Creek	38,689	7/7/2021	9/22/2021	MT
Musselshell Trail Rd	22,470	7/7/2021	10/6/2021	MT
Storm Creek (Storm Theatre Complex)	14,958	7/7/2021	10/14/2021	ID
Hoover Ridge (Snake River Complex)	12,412	7/7/2021	12/6/2021	ID
Tumbledown	11,118	7/7/2021	12/1/2021	ID
Trail Creek	62,013	7/8/2021	11/4/2021	MT
Cedar Creek	55,187	7/8/2021	11/29/2021	WA
Alder Creek	36,930	7/8/2021	11/4/2021	MT
Mud Lick	20,856	7/8/2021		ID
Deceitful (Character Complex)	12,364	7/8/2021	10/1/2021	ID
Woods Creek	55,449	7/10/2021	11/22/2021	MT
Log	16,337	7/12/2021		OR
Summit Trail	49,554	7/13/2021	10/2/2021	WA
Chuweah Creek Fire	36,753	7/13/2021	8/30/2021	WA
South Yaak	12,489	7/13/2021	9/28/2021	MT
Dixie	963,309	7/14/2021	10/25/2021	CA
Red Apple	12,288	7/14/2021	7/26/2021	WA
Elbow Creek	22,960	7/15/2021	9/24/2021	OR
Cub Creek 2	70,186	7/16/2021	9/13/2021	WA
Christensen	12,436	7/16/2021		MT
Lynx	12,320	7/17/2021	11/3/2021	ID
Black Hills	30,305	7/21/2021	9/23/2021	AK
Devils Creek	18,708	7/22/2021	8/1/2021	MT
Harris Mountain	31,597	7/23/2021	9/26/2021	MT
Poverty Flats	67,098	7/27/2021		MT
Gales (Middle Fork Complex)	29,356	7/27/2021	7/13/2022	OR
Chaos (Rough Patch Complex)	28,841	7/27/2021	11/15/2021	OR
McFarland	122,350	7/30/2021	9/16/2021	CA
Mana Road Fire	40,000	7/30/2021		HI
Monument	223,172	7/31/2021	10/20/2021	CA
Haypress (River Complex)	193,402	7/31/2021	10/25/2021	CA
Summer (River Complex)	37,649	7/31/2021		CA
Antelope	145,632	8/1/2021	10/14/2021	CA
McCash	94,962	8/1/2021	10/27/2021	CA
Bull Complex	24,894	8/1/2021	7/27/2022	OR
Haystack	24,326	8/1/2021	11/1/2021	MT
Taylor	22,916	8/1/2021	8/8/2021	MT
425-Smith (Devils Knob Complex)	49,239	8/2/2021		OR
400-Big Hamlin (Devils Knob Complex)	19,377	8/2/2021	10/18/2021	OR
Walker Creek	23,728	8/3/2021	10/15/2021	WA
Black Butte	22,445	8/3/2021	9/28/2021	OR
Schneider Springs	107,322	8/4/2021	11/3/2021	WA
Whitmore	58,279	8/4/2021	10/7/2021	WA
Muckamuck	13,297	8/4/2021	9/21/2021	WA
Richard Spring	171,130	8/8/2021	8/21/2021	MT
Boundary	80,818	8/10/2021	11/23/2021	ID
Bedrock	11,167	8/11/2021	8/22/2021	ID
Caldor	221,784	8/15/2021	10/11/2021	CA
Greenwood	26,829	8/15/2021	9/30/2021	MN
Twentyfive Mile	22,290	8/15/2021	10/19/2021	WA
Ford Corkscrew	15,701	8/15/2021	9/10/2021	WA
Pine Grove	16,004	8/16/2021		MT
French	26,535	8/18/2021	10/19/2021	CA
Southern Bench	20,339	8/25/2021	9/29/2021	NV
Cougar Peak	91,815	9/7/2021	10/21/2021	OR
Windy	97,528	9/10/2021	11/11/2021	CA

(a) The source data for this table is National Interagency Fire Center's Wildland Fire Interagency Geospatial Services (WFIGS) Interagency Fire Perimeters. The discovery date is based on the start time/date in the WFIGS database, which we understand is recorded in UTC.

Amid these constraints, Red Flag Warning conditions on August 3 and 4 brought strong southwest winds, leading to rapid fire spread and long-range spotting. The Dixie Fire had already consumed roughly 300,000 acres by August 4, making it one of the largest fires in California history at the time, and was less than 40 percent contained, meaning firefighters had to contend with miles of uncontained fire line. On the eastern branch, where Greenville was located, the fire advanced more than ten miles between August 2 and 5, a rapid increase in burned area. Fire-atmospheric interactions further

TABLE 4-6
TIME FROM IGNITION TO FIRST IMPACT FOR CALIFORNIA'S TOP 20 MOST DESTRUCTIVE FIRES

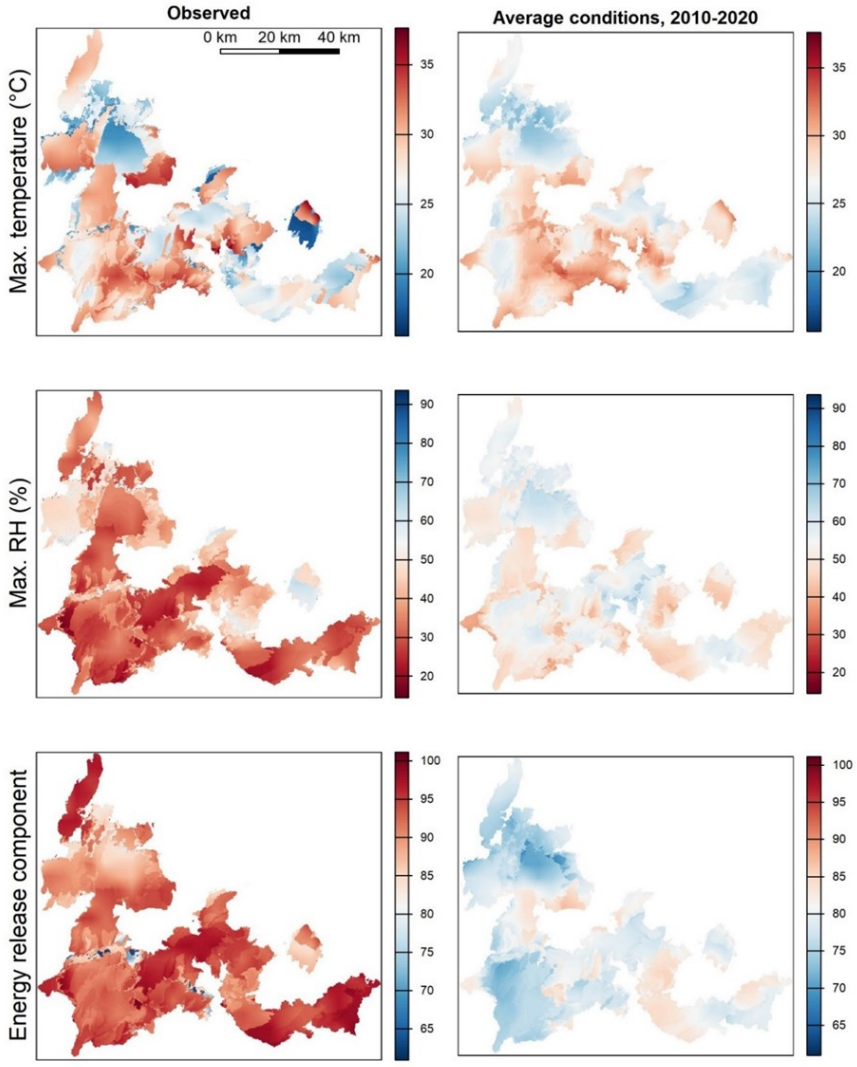
			Time from Ignition to First Impact	
Fire	**Structures**	**Ignition Time**	**Hours**	**Days**
North Complex	2,352	8/17/2020 0:00	543.3	22.6
Dixie	**1,311**	**7/13/2021 17:00**	**531**	**22.1**
CZU Complex	1,490	8/16/2020 3:30	92.5	3.9
Carr	1,614	7/23/2018 13:15	78.3	3.3
Caldor	1,003	8/14/2021 18:54	51.1	2.1
LNU Complex	1,491	8/17/2020 6:40	42.3	1.8
Woolsey	1,643	11/8/2018 14:24	15.6	0.7
Witch	1,650	10/21/2007 12:35	15.4	0.6
Cedar	2,820	10/25/2003 17:37	12.9	0.5
Glass	1,520	9/27/2020 23:30	6.5	0.3
Thomas	1,063	12/4/2017 18:26	6.1	0.3
Nuns	1,355	10/8/2017 22:00	5	0.2
Old	1,003	10/25/2003 9:16	4.7	0.2
Valley	1,955	9/12/2015 13:30	4.6	0.2
Tubbs	5,636	10/8/2017 21:45	3.3	0.1
Camp	18,804	11/8/2018 6:30	1.8	0.1
Jones	954	10/22/1999 18:15	1.8	0.1
Palisades	6,833	1/7/2025 10:30	1	0.04
Tunnel	2,900	10/20/1991 10:55	0.6	0.03
Eaton	9,413	1/7/2025 18:18	0.3	0.01

In all cases, except for the Dixie Fire and the North Complex Fire, the first impacts occurred within four days of ignition, and in 14 of 20 fires, impacts occurred on the first day. Only the Dixie Fire and the North Complex Fire deviated from this pattern, with the North Complex Fire being attributable to multiple ignitions. The North Complex Fire, comprised of the Bear and Claremont Fires, ignited by lightning on August 17, 2020, and expanded rapidly in size when the Bear and Claremont fires burned together on September 7-8, 2020, under the influence of strong offshore winds. It, like the Dixie Fire, is an outlier in that structure impacts in large-loss fires most frequently occur shortly after ignition.

That Greenville was destroyed more than three weeks after the Dixie Fire's ignition underscores the fire's exceptional intensity, distinguishing it from other large-loss fires.

severity. See Figure 4-33. Assuming average weather conditions from 2010 to 2020 across the entire Dixie Fire resulted in a substantial decrease in high-severity fire. See Figure 4-34 and Figure 4-35.

FIGURE 4-33
OBSERVED DAILY WEATHER DURING THE DIXIE FIRE (LEFT) AND AVERAGE CONDITIONS FROM THE SAME DAYS FROM 2010 TO 2020~~1~~ (RIGHT)[(a)]



(a) RH is relative humidity. Red corresponds with more severe fire weather. Blue corresponds with less severe fire weather.

footprint (accounting for nearly 69 percent of the fire perimeter), only approximately 119,000 acres had undergone planned treatments (i.e., excluding unplanned wildfires) in the two decades prior to 2021—i.e., less than 20 percent of Forest Service-owned land. A significantly higher proportion of untreated Forest Service land burned at high severity compared to treated Forest Service land. The limited nature of fuel treatments in public lands in the two decades prior to the fire thus enhanced the Dixie Fire's burn severity across large swaths of its footprint. While prior fire severity was a less important variable in the model, the influence of past fires is evident in the fuel variables, including NDVI, tree cover, and cover of bare ground, which were among the top eight variables.

Had the Dixie Fire area burned at moderate severity 10 to 19 years earlier, the extent of high-severity fire would have decreased substantially from 46 percent to ~~15~~ ~12 percent. See Table 4-8. The alternate fire-severity scenario in Figure 4-39, which assumes the footprint had burned at moderate severity 10 to 19 years ago, demonstrates the effect of reduced fuels resulting from the widespread use of fire as a fuel treatment, consistent with the recognized need to greatly increase fuel treatments in California forests.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 5

LITIGATION AND CLAIMS COSTS

are not subject to further reasonableness review by the Commission.[2] PG&E nevertheless presents this testimony to assure the Commission that PG&E resolved these claims in a prudent manner, consistent with the approach in previous complex wildfire litigation managed by PG&E and other utilities such as Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E).

PG&E also prudently defended and managed the claims related to the Kincade and Dixie Fires by engaging the highly skilled teams of attorneys, experts and consultants, mediators, and e-discovery vendors necessary to support the management and resolution of mass tort litigations involving thousands of claimants. The teams assembled by PG&E enabled the Company to reach reasonable settlements that avoided the expense and uncertainty of trial and simultaneously facilitated timely compensation for plaintiffs' fire losses in light of California's inverse condemnation doctrine. Thus, these litigation costs were prudently incurred and PG&E should be authorized to recover them.

As of September 30, 2025, PG&E has incurred approximately $200 million in litigation costs to defend and resolve claims against the Company related to the 2019 Kincade Fire and 2021 Dixie Fire. As authorized by PG&E's Wildfire Expense Memorandum Account (WEMA), PG&E has tracked and now seeks to recover these "outside legal expenses incurred in defense of wildfire claims."[3] The litigation and claims costs that PG&E incurred in connection with the Kincade and Dixie Fires are incremental to costs previously authorized through PG&E's General Rate Case (GRC) and properly recorded in PG&E's WEMA.

B. Background on Litigation

Following the Kincade and Dixie Fires, PG&E faced a multitude of lawsuits filed by plaintiffs seeking compensation for their losses. This section details the scope of these lawsuits, the categories of claimants, and the legal processes that shaped PG&E's approach to resolving claims.

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2 Cal. Pub. Util. Code § 3292(f)(1).

3 Electric Preliminary Statement Part HL, WEMA, available at: <https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_PRELIM_HL.pdf> (accessed Oct. 29, 2025); Gas Preliminary Statement Part EE, WEMA, available at: <https://www.pge.com/tariffs/assets/pdf/tariffbook/GAS_PRELIM_EE.pdf> (accessed Oct. 29, 2025).

a. Public Entity Plaintiff Settlements

PG&E was able to reach early settlements with Public Entity Plaintiffs in both the Kincade and Dixie Fire proceedings. These Public Entity Plaintiffs asserted claims for environmental asset losses, pavement fatigue, revenue losses, labor costs, lost municipal services, infrastructure costs, and other items. The Public Entity Plaintiffs were represented by the same law firm in both fires. In both fires, PG&E achieved global settlements through mediations presided over by the Honorable Jay C. Gandhi (ret.) of Judicial Arbitration and Mediation Services (JAMS), who had previously presided over mediations between public entities and SCE in connection with the litigation arising from the 2017 Thomas Fire and 2018 Woolsey Fire.

In May 2021 PG&E reached a global settlement with ~~nine~~ eight public entities[18] that had claims relating to the Kincade Fire for a total of $31 million. Similarly, in December 2022, PG&E resolved the claims of ten public entities[19] who had claims relating to the Dixie and Fly fires for $24 million. PG&E also finalized a settlement with the City of Santa Clara dba Silicon Valley Power pursuant to which PG&E contributed up to $7.5 million to rebuild the transmission line interconnecting the Grizzly powerhouse with PG&E's transmission system following damage to the line from the Dixie Fire.

In August 2023, after multiple mediation sessions, PG&E reached a settlement with Cal Fire for $69 million to resolve a lawsuit by Cal Fire seeking reimbursement of fire suppression costs, fees and interest incurred in connection with the Kincade Fire.[20]

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18 The signatories to the agreement that had claims related to the Kincade Fire included: (1) County of Sonoma; (2) Sonoma County Agricultural Preservation and Open Space District; (3) Sonoma County Water Agency; (4) Sonoma County Community Development Commission; (5) Town of Windsor; (6) City of Santa Rosa; (7) City of Healdsburg; and (8) City of Cloverdale.

19 The signatories to the agreement that had claims related to the Dixie and Fly Fires were: (1) Plumas County; (2) Shasta County; (3) Butte County; (4) Lassen County; (5) Tehama County; (6) Chester Public Utility District; (7) City of Susanville; (8) Honey Lake Valley Recreation Authority; (9) Herlong Public Utility District; and (10) Plumas District Hospital.

20 Cal Fire's lawsuit seeking reimbursement of fire suppression costs, fees and interest for the Dixie Fire remains pending as described in more detail below.

settlements with Individual Plaintiffs across both fires. As determined by the Administrator, PG&E exercised reasonable business judgment in settling these claims, especially given the substantial risks and downsides related to trial.

2) Dixie Fire Direct Payments for Community Recovery Program

In April 2022, as described in Chapter 1: Policy, PG&E reached an early resolution of potential claims related to the Dixie Fire with the District Attorneys in the five affected counties (Plumas, Tehama, Lassen, Butte, and ~~Sonoma~~Shasta), in the form of a civil stipulated judgment. As part of that resolution, PG&E committed to make significant contributions to impacted communities. In addition to committing $29.5 million in direct contributions to support local organizations, PG&E also committed to implement an innovative program designed to expedite compensation to individuals whose homes were destroyed by the Dixie Fire. That program—the Direct Payments Program—was incorporated into the settlement with the District Attorneys to more directly support wildfire recovery in communities damaged by the fire, including the Plumas County community of Greenville, which was largely destroyed by the fire weeks after the fire had ignited.[23]

The Direct Payments Program provided a quick, efficient, and objective method to compensate homeowners and renters. The program applied a standard framework—based primarily on square footage—to determine an offer, and aimed to make offers within 30 days of receiving a complete claim. Nearly 140 claims were resolved through the Direct Payments Program.

3. Outstanding and Potential Claims

Certain claims remain unresolved because PG&E is continuing to work to resolve the claims either through mediation or further litigation to address specific claims and defenses.[24] There are additional potential claims that

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[23] See Chapter 4: External Factors (Section D.3.b and c).

[24] Chapter 7: Cost Recovery and Revenue Requirements sets forth PG&E's proposal for addressing claims paid after September 30, 2025.

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 7

COST RECOVERY AND REVENUE REQUIREMENTS

incremental as described in more detail in Chapter 5: Litigation and Claims Costs.

4. Securitization Proposal for WEMA-E Costs [Marques Cruz]

PG&E proposes to submit a future application pursuant to Section 850 *et seq.* requesting that the Commission issue a financing order authorizing recovery bond financing of the WEMA-E costs (Table 7-4) authorized in this proceeding and recovery of the associated costs via Fixed Recovery Charges (FRC).[5] The WEMA-E costs that PG&E requests to recover in this proceeding total approximately $1.524 billion. Normal course recovery of these costs would be recovery in rates over a 12-month period, which would have a significant impact on customer rates. As an alternative, PG&E proposes to securitize those costs under the statutory authority of Section 850 *et seq*. Securitization will provide rate and bill reduction benefits to customers as compared to traditional normal course ratemaking. An illustrative securitization revenue requirement is provided in Table 7-6, providing typical cost elements of a FRC.

TABLE 7-6
WEMA-E COSTS AND ILLUSTRATIVE SECURITIZATION REVENUE REQUIREMENT
(THOUSANDS OF DOLLARS)

Line No.	Component	2028
1	Annual Debt Service	114,637
2	Servicing & Administrative Fees (PG&E)	866
3	Rating Agency Fees	75
4	Other Ongoing Financing Costs	576
5	Uncollectibles for FRC	408
6	Annual FRC Revenue Requirement (RRQ)	116,563
7	Revenue fees on the FRC RRQ	883
8	Total RRQ	117,446

a. Statutory Background and Precedent

Senate Bill (SB) 901 and Assembly Bill (AB) 1054 (codified in Article 5.8, including as Section 850~~)~~ *et seq.)* provide clear and express authority for the issuance of recovery bonds to fund wildfire related costs and

[5] For this and the other chapters of testimony, unless otherwise noted, all references to "Section" are to the California Public Utilities Code (Pub. Util. Code).

expenses. In enacting SB 901, the Legislature explained that recovery bonds "help reduce bill shock by allowing the payments of the expenses (plus interest) to be spread over a longer time period."[6]

As codified, Section 850(a)(1) authorizes the Commission to allow recovery through securitization of costs and expenses related to a catastrophic wildfire, if the Commission finds such costs reasonable pursuant to Section 451.1.[7] Section 850(a)(1) instructs the utility to "file an application requesting the commission to issue a financing order to authorize" costs and expenses found to be reasonable "through fixed recovery charges."[8]

The Commission has authorized financing orders in the past pursuant to Section 850 *et seq.* and that process is familiar to the Commission. In particular, the Commission has authorized three financing orders for PG&E to securitize fire risk mitigation capital expenditures under Section 8386.3(e) (AB 1054 CapEx).[9] Further, in 2021 the Commission authorized a financing order for PG&E's $7.5 billion rate-neutral securitization transaction, which involved recovery bond financing of costs and expenses related to the North Bay Wildfires.[10] The Commission has also authorized four financing orders for Southern California Edison Company, including to securitize fire risk mitigation capital expenditures under Section 8386.3(e) and for WEMA costs and expenses related to the 2017 Thomas Fire authorized for recovery in A.23-08-013.[11] PG&E's proposed application for securitization will follow the path established by those decisions.

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6 SB 901, Senate Bill Analysis (Aug. 31, 2018), p. 15.

7 "If an electrical corporation applies to the commission for recovery of costs and expenses related to a catastrophic wildfire and the commission finds some or all of the costs and expenses to be reasonable pursuant to Section 451.1, or for the amount of costs and expenses determined pursuant to subdivision (c) of Section 451.2, then the electrical corporation may file an application requesting the commission to issue a financing order to authorize these costs and expenses to be recovered through [FRCs] pursuant to this article." Pub. Util. Code, § 850(a)(1).

8 *Id.*

9 D.21-06-030; D.22-08-004; D.24-02-011.

10 D.21-05-015.

11 D.25-08-033; D.23-02-023; D.21-10-025; D.20-11-007.

repay the principal, interest, and related costs of the Recovery Bonds.

- The Recovery Bonds will be backed by FRCs, which will fund the principal, interest, and other financing costs. PG&E will use a financial model to calculate the FRC revenue requirement.
- The FRCs will be nonbypassable to all existing and future electric customers in PG&E's service territory as it exists as of the date of the financing order, except for those enrolled in California Alternative Rates for Energy (CARE) or Family Electric Rate Assistance programs.[13]
- PG&E will propose that the Commission's Finance Team review and approve the material terms and structure of the securitized bonds before issuance, including the interest rate and bond maturity, to confirm customer savings consistent with the statute. This approach is consistent with the Commission's previous financing orders for Article 5.8 electric utility securitized bonds.[14]

d. Benefits of Securitization

PG&E's securitization proposal will benefit customers by mitigating customer rate and bill impacts. For that and other reasons, PG&E's proposed issuance of Recovery Bonds will satisfy the required statutory conditions that:

> (ia) They are just and reasonable.
> (ib) They are consistent with the public interest.
> (ic) The recovery of recovery costs through the designation of the [FRCs] … and the issuance of recovery bonds in connection with the [FRCs], would reduce, to the maximum extent possible, the rates on a present value basis that consumers … would pay as compared to the use of traditional utility financing mechanisms, which shall be calculated using the electrical corporation's corporate

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13 Pub. Util. Code, § 850.1(a)(2) ("Fixed recovery charges and any associated fixed recovery tax amounts shall be imposed only on existing and future consumers in the service territory. Consumers within the service territory shall continue to pay fixed recovery charges and any associated fixed recovery tax amounts until the recovery bonds and associated financing costs are paid in full by the financing entity"); § 850.1(i) ~~("(i) (~~"Recovery costs shall not be imposed upon customers participating in the California Alternative Rates for Energy or Family Electric Rate Assistance programs discount pursuant to Section 739.1.").

14 D.24-02-011, p. 71; D.20-11-007, p. 126, Ordering Paragraph (OP) 51.

debt and equity in the ratio approved by the commission at the time of the financing order.[15]

First, the Commission must find that "[t]he issuance of the recovery bonds, including all material terms…are just and reasonable."[16] The issuance of the Recovery Bonds will be just and reasonable because it will support the recovery of costs determined to be reasonable, and in so doing will support utility safety and reliability. Additionally, the issuance of the Recovery Bonds is just and reasonable because, as described in further detail below, it will reduce costs compared to traditional utility financing mechanisms and reduce rate and bill impacts for customers.[17]

Second, the Commission must find that "[t]he issuance of the recovery bonds, including all material terms…are consistent with the public interest."[18] The issuance of the Recovery Bonds will be consistent with the public interest because it will support the recovery of costs determined to be reasonable. In so doing, it will support the utility's safety and reliability, maintain or improve the financial condition of the utility, and support the quality of service to consumers.[19] It will also serve the public interest because it will reduce costs compared to traditional utility financing mechanisms, and reduce rate and bill impacts for customers.[20]

Third, the Commission must find that:

> [t]he issuance of the recovery bonds, including all material terms…would reduce, to the maximum extent possible, the rates on a present value basis that consumers within the electrical corporation's service territory would pay as compared to the use of traditional utility financing mechanisms, which shall be calculated using the electrical corporation's corporate debt and equity in the

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15 Pub. Util. Code, § 850.1(a)(1)(A)(~~ii~~i)(II)(ia)–(ic).

16 Pub. Util. Code, § 850.1(a)(1)(A)(i)(II) & (ia).

17 *See* D.24-02-011, pp. 45-46.

18 Pub. Util. Code, § 850.1(a)(1)(A)(i)(II) & (ib).

19 D.24-02-011, p. 47.

20 *Id.*

ratio approved by the commission at the time of the financing order.[21]

Consistent with this statutory requirement, PG&E will estimate the net present value benefit from using securitization to finance these costs as compared to the expected rates through traditional utility financing using PG&E's approved rate of return in accordance with the Commission's Cost of Capital (COC) Decision. Additionally, because not all variables of pricing and marketing can be known at the time of PG&E's securitization application, the creation of a Finance Team to review the totality of the Recovery Bond process will ensure that the statutory requirement of customer savings is satisfied.[22]

Table 7-7 presents an illustrative summary of customer savings associated with the proposed securitization of WEMA-E costs.

TABLE 7-7
CUSTOMER SAVINGS FROM ILLUSTRATIVE SECURITIZATION OF WEMA-E COSTS
(THOUSANDS OF DOLLARS)

Line No.	Parameter	Estimated Value
1	Total WEMA-E Costs	1,523,809
2	Estimated Nominal Average Annual RRQ under Conventional Financing	136,439
3	Estimated Present Value of Annual RRQ under Conventional Financing	1,488,813
4	Estimated Nominal Average Annual RRQ under Securitized Debt Financing	117,418
5	Estimated Present Value of Annual RRQ under Securitized Debt Financing	1,097,223
6	Estimated Nominal Net Customer Savings from Securitization	19,020
7	Estimated Present Value of Net Customer Savings from Securitization	391,590

e. Illustrative Rate and Bill Impacts

Securitizing eligible WEMA-E costs authorized for recovery in this proceeding also will help moderate customer rate and bill impacts. Securitization significantly reduces the near-term bill impacts on customers when compared to normal course recovery of the WEMA-E

21 Pub. Util. Code, § 850.1(a)(1)(A)(i)(II) & (ic).

22 *See*, *e.g.*, D.23-02-023, p. 44.

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would recover costs for covered wildfires if it satisfied the applicable legal standards, including through the AB 1054 presumption framework.[48]

The Fund was capitalized by significant monetary contributions from PG&E customers and shareholders. PG&E customers are contributing approximately $400 million each year ~~through~~ until ~2035, or ~~$6~~around $5 billion in total over 15 years.[49] PG&E shareholders committed to pay approximately $6.7 billion, encompassing a $4.8 billion initial contribution and annual contributions of approximately $193 million for ten years.[50] AB 1054 also barred PG&E from recovering a return on equity from its initial $3.21 billion in wildfire safety investments—representing a sharp departure from ordinary cost-of-service ratemaking.[51]

PG&E has sought and obtained payment from the Wildfire Fund for eligible claims related to the Kincade and Dixie Fires. The amounts that PG&E has recovered from the Wildfire Fund to date (a total of $1.06 billion) are dwarfed by the contributions of PG&E customers and shareholders to the Wildfire Fund (a total of over ~~$12~~$11 billion).

Allowing PG&E to recover those incremental amounts from customers, and in particular determining that PG&E is not required to reimburse the Wildfire Fund for amounts credited to PG&E's WEMA, is the best way to carry forward and support public confidence in the regulatory bargain embodied in AB 1054.[52]

F. Cost Recovery Is in the Public Interest

As explained in PG&E's opening testimony (Chapter 1), both utilities and their customers benefit over the long term from a regulatory framework that applies the Legislature's direction and enables recovery of wildfire costs when utility conduct is prudent under the governing framework. Cost recovery is in the

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48 See PG&E Amended Opening Testimony, p. 1-19.

49 D.19-10-056.

50 The contributions of PG&E shareholders equate to nearly two-thirds of the total contributions by shareholders of California's large investor-owned utilities. See Pub. Util. Code, § 3280(~~b), (i), (n~~d), (k), (p); see also *PG&E Supports and Elects to Help Fund New California Wildfire Fund* (July 25, 2019), https://investor.pgecorp.com/news-events/press-releases/press-release-details/2019/PGE-Supports-and-Elects-to-Help-Fund-New-California-Wildfire-Fund/default.aspx (accessed June 16, 2026).

51 Pub. Util. Code, § 8386.3(e); see PG&E Amended Opening Testimony, p. 1-18 & n.57.

52 See PG&E Amended Opening Testimony, pp. 1-42 to 1-43.

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CHAPTER 3A

REBUTTAL TESTIMONY ON

THE KINCADE FIRE

Cal Advocates notes that "[t]he shoe prevented effective detection by the mechanism[s] PG&E chose to do its inspections,"[61] Cal Advocates has failed to identify any inspection methodology that PG&E could have used before the Kincade Fire but didn't, and that would have identified the fatigue condition on the incident jumper prior to its failure on October 23, 2019.

Cal Advocates goes on to suggest that the incident "jumper conductor exhibited 'bird-caging' at the exit to the attachment hardware, which is consistent with localized stress and degradation at that location."[62] Cal Advocates is wrong that the conductor exhibited bird-caging. For support, Cal Advocates points to statements in the SED Report observing "slight signs of bowing" *after the fire* and speculating "[i]t is possible" that that was "indicative of fatigue stress."[63]

Pre-fire drone photographs of the jumper show no bird-caging, broken strands, or other indications of fatigue, as shown in Figure 3A-~~1~~11 of PG&E's Amended Opening Testimony.[64]

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61 CA-03, p. 9.

62 *Id.* at p. 27.

63 SED's Incident Investigation Report (SED Report), p. 17; see CA-03, p. 27 n.97 (citing SED Report).

64 See also PG&E Amended Opening Testimony, p. 3A-19, Figure 3A-7.

PG&E's prudence, particularly in light of the unique circumstances presented by these facilities.

The subject spans were the last three spans of the active 43-mile Geysers #9 Line serving PG&E customers, including five other Calpine-owned geothermal power plants in the Geysers area.[85] PG&E first became aware that Units 9/10 had been taken offline in an October 2005 email from Calpine.[86] At that time, PG&E did not yet have a formal policy or procedures for reporting potentially idle facilities for investigation, and PG&E first adopted its idle facilities standard right around the same time as performing the May 2006 disconnection work.[87] Calpine's request also was not accompanied by a notice to terminate interconnection service at Units 9/10. Under the 2004 GSFA, Calpine was required to send PG&E a Notice to Cease Operating Geothermal Facility and pay a facility termination charge in order to terminate PG&E interconnection services to one of the covered geothermal power plants, including Units 9/10.[88] Cal Advocates concedes that Calpine did neither and, in fact, continued to pay for interconnection services to Units 9/10, including at the time of the Kincade Fire.[89] In other

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85 See CA-02-SA-C, pp. 234-35; PG&E Amended Opening Testimony, pp. 3A-21 to 3A-22.

86 See CA-03-SA, pp. 196-98 (PG&E's Response to KincadeDixieAB1054_DR_CalAdvocates_K08-Q002(b)); *id.* at pp. 148-49 (Calpine October 2005 Email).

87 See CA-02-SA-C, pp. 14-19 (Utility Operations Standard 1003).

88 See PG&E Amended Opening Testimony, p. 3A-23 n.31.

89 See *supra* Section B.1; CA-02, pp. 6, 16-17. To the extent Cal Advocates suggests that PG&E could have negotiated the 2004 GSFA to exclude interconnection services to Units 9/10, see CA-02, p. 17, that is impossible since PG&E was not aware Units 9/10 had been taken offline until the October 2005 email, well after executing the ~~GFSA~~GSFA.
See CA-03-SA, pp. 196-98 (PG&E's Response to CalAdvocates_K08-Q002(b)).