

Docket:	<u>P.21-07-012</u>
Exhibit No.:	<u>CCSF-001</u>
Date Served:	<u>April 20, 2026 (Errata May 21, 2026)</u>
ALJ:	<u>R. Lirag</u>
Witness:	<u>Herrera</u>

PREPARED DIRECT TESTIMONY

OF

DENNIS HERRERA

ON BEHALF OF

THE CITY AND COUNTY OF SAN FRANCISCO

APRIL 20, 2026

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1 **I. INTRODUCTION**

2 I am the General Manager of the San Francisco Public Utilities Commission
3 (SFPUC). I joined the SFPUC in 2021 after serving as San Francisco City Attorney for
4 nearly 20 years. My qualifications are set forth in Appendix I, which I am also
5 sponsoring.

6 The City and County of San Francisco (the City) intends to acquire Pacific Gas &
7 Electric Company’s (PG&E’s) land, property, and rights in and around the City that are
8 necessary for the City to provide electric service throughout San Francisco. The
9 California Constitution gives cities the right to provide electricity if they choose to do
10 so.¹ The legislature allows a City to ask the California Public Utilities Commission
11 (Commission) to determine the value of the public utility’s “lands, property, and rights”
12 that the city intends to acquire. The City filed Petition (P.) 21-07-012 on July 27, 2021,
13 pursuant to Pub. Util. Code §§ 1401–1421, seeking valuation of these assets by the
14 Commission. A series of pleadings, initial testimony, legal briefs and rulings over the last
15 4.5 years led to Decision (D.) 25-10-039 (the Decision), which set certain standards for
16 the determination of just compensation and directed the City to submit this Amended and
17 Restated (A&R) Testimony.² Administrative Law Judge (ALJ) Lirag’s March 10, 2026
18 Ruling required the City to submit this A&R Testimony by April 20, 2026.³

19 The City’s petition initiating this proceeding describes the City’s century-long
20 goal of providing electric service throughout San Francisco and the consistent problems
21 with PG&E’s service. In 2019, City leaders united in the view that the only path to ensure
22 safe, reliable, affordable electric service that would support economic development and
23 combat global warming was to expand the City’s existing electric utility and acquire
24 PG&E’s assets necessary to serve all of San Francisco. After several months of intensive
25 review and expert analysis, the City submitted formal offers to purchase the utility’s

¹ Cal. Const. Art. XI, § 9.

² D.25-10-039, *Decision Establishing Methods and Standards for Just Compensation and Valuation*, pp. 33-34, Conclusion of Law (COL) 4, Ordering Paragraphs (OP) 3-5 (Nov. 6, 2025).

³ Petition (P.) 21-07-012, *Administrative Law Judge’s Ruling Setting Dates for Serving Testimony*, p. 1 (Mar. 10, 2026).

1 assets in 2019 and 2020, but PG&E rejected those offers, claiming the price was too low
2 and refusing to discuss any price. The City continues to prefer a negotiated transaction
3 with PG&E to complete the acquisition and is hopeful the valuation established by the
4 Commission will facilitate that transaction.

5 My testimony provides an overview of the City’s A&R Testimony, which
6 includes the following Exhibits:

- 7 • Exhibit CCSF-001: Overview Testimony (Herrera)
- 8 • Exhibit CCSF-002: Electrical System Assets and Replacement Cost New
9 Calculation (Bacalao)
- 10 • Exhibit CCSF-003: Real Property Asset List and Valuation (Runde)
- 11 • Exhibit CCSF-004: Fair Market Valuation of Lands, Property, and Rights
12 (Rabon)
- 13 • Exhibit CCSF-005: Investment Banking Approach to the Valuation (Beicke)
- 14 • Exhibit CCSF-006: Regulatory Accounting Treatment (Fulmer)
- 15 • Exhibit CCSF-007: Separation Plan (Yeung and Wu)

16 Together these Exhibits address the following issues set forth in the Assigned
17 Commissioner’s June 24, 2022 Scoping Ruling in this proceeding:⁴

- 18 • The amount of just compensation that San Francisco should pay to acquire
19 PG&E assets that are used to deliver electricity to San Francisco customers;
- 20 • The list of assets the City seeks to acquire;
- 21 • The valuation method that should be used to determine the amount of just
22 compensation;
- 23 • Additional costs, if any, that the City should pay other than asset costs;
- 24 • Whether severance damages should be paid pursuant to Pub. Util. Code §
25 1411 and the amount of such damages; and
- 26 • Other related matters.

⁴ P.21-07-012, *Assigned Commissioner’s Scoping Memo and Ruling*, pp.3-5 (Feb. 27, 2025).

1 **II. SUMMARY**

2 The City’s A&R Testimony concludes the fair market value of the PG&E
3 land, property and rights it plans to acquire is \$3.4 billion as of July 27, 2021.⁵
4 This figure is supported by an investment banking analysis finding a range of
5 values from \$3.2 billion to \$3.8 billion.⁶ These figures have been updated from
6 the City’s originally submitted testimony based on intervening discovery
7 responses from PG&E, a reconciliation of asset counts with PG&E, a separation
8 plan based on a single scenario for the proposed acquisition of the Martin
9 Substation, and updated lists of the land, property and rights the City intends to
10 acquire.

11 The City’s A&R Testimony also concludes that (a) allocating to PG&E’s
12 shareholders the fair market value of the assets the City intends to acquire will keep them
13 whole; and (b) allocating most, if not all, business severance damages to ratepayers will
14 keep them neutral to the acquisition.⁷ Finally, to the extent PG&E incurs physical
15 separation costs, the City proposes to reimburse ratepayers for the actual costs PG&E
16 incurs by tracking such costs in a memorandum account.⁸ In these ways, the City’s
17 proposed regulatory accounting treatment will meet the standards set forth in D.25-10-
18 039.

19 **III. THE CITY’S EXPERT TESTIMONY**

20 **A. Exhibit CCSF-002: The City’s Electrical System Asset List and Replacement**
21 **Cost New Calculation (Bacalao)**

22 Witness Bacalao’s testimony provides an inventory of the distribution and
23 transmission assets to be acquired based on a single separation scenario, as Decision 25-
24 10-039 requires.⁹ This listing of transmission and distribution assets and rights includes

- 25
- 32 substations and more than 13,000 distribution transformers,

⁵ See Exh. CCSF-004 (Rabon).

⁶ See Exh. CCSF-005 (Beicke).

⁷ See Exh. CCSF-006 (Fulmer).

⁸ See *id.*

⁹ D.25-10-039 at 34.

- 1 • 67 miles of underground transmission lines,
- 2 • 1040 miles of underground distribution lines and 480 miles of overhead
- 3 distribution lines,
- 4 • approximately 50,000 underground enclosures and vaults,
- 5 • about 38,000 poles,
- 6 • more than 17,500 pieces of individual equipment including switches, reclosers
- 7 and capacitors, and
- 8 • other identified items, including but not limited to communication assets,
- 9 spare parts, and records.

10 His testimony also describes the Replacement Cost New (RCN) value of such
11 assets, *i.e.*, the cost of replacing PG&E’s existing assets with new assets and the age of
12 such assets, which are both inputs to the Replacement Cost New Less Depreciation
13 (RCNLD) valuation methodology Witness Rabon undertakes.¹⁰

14 The Commission directed that the City’s A&R Testimony include a stipulation of
15 the assets to be acquired.¹¹ The City worked with PG&E after D.25-10-039 to advance a
16 stipulation reflecting a consensus list of assets. Witness Bacalao’s testimony includes the
17 Proposed Stipulation Exhibits, which reflect feedback the City received from PG&E.¹²

18 **B. Exhibit CCSF-003: The City’s Real Property Asset Valuation (Runde)**

19 Witness Runde provides a valuation of about \$600 million for the real property
20 and land-related rights the City will acquire. The valuation considers location, size,
21 condition, use, topography, site improvements, and land use restrictions, including
22 zoning, historical designations, and environmental conditions. The testimony includes
23 RCN and RCNLD values for the 33 PG&E properties the City will acquire and thousands
24 of appurtenant easements, licenses, permits, agreements, and similar rights held by
25 PG&E to use property owned by others to provide electric service.¹³

¹⁰ See Exh. CCSF-002 (Bacalao); Exh. CCSF-004 (Rabon).

¹¹ D.25-10-039 at 33-34.

¹² D.25-10-039 at 34; see Exh. CCSF-002, Appendix IV (Bacalao). On April 6, 2026, the City also sent PG&E exhibits identifying the real property interests the City intends to acquire (which are identified in Table A-1 and Attachment D of Witness Runde’s Appraisal Report).

¹³ See Exh. CCSF-003 (Runde).

1 **C. Exhibit CCSF-004: The City’s Valuation of PG&E’s Lands, Property and**
2 **Rights (Rabon)**

3 Witness Rabon presents the City’s proposed total valuation of the lands, property
4 and rights, combining the counts, characteristics, and values presented in Exhibit CCSF-
5 002 (the transmission and distribution asset list, RCN and age analysis) and Exhibit
6 CCSF-003 (real property asset list and valuation) to present a single valuation figure as of
7 July 27, 2021. To determine this fair market value, Witness Rabon analyzes the three
8 valuation approaches outlined in the Decision, concluding (a) that the income approach is
9 the most accurate valuation methodology to use for these assets, and (b) that the sales
10 comparison approach and cost approach (including the RCNLD) both support the value
11 he derives using the income approach.

12 To calculate the value of PG&E’s land, property, and rights under the income
13 approach, Mr. Rabon utilizes a discounted cash flow analysis to project the future cash
14 flows PG&E would earn on those assets and then discounts those cash flows to what their
15 value would be on July 27, 2021. By discounting the cash flows, the Commission can
16 observe the present worth of the future income that a purchaser would derive from
17 owning those assets. Based on the income approach, Witness Rabon concludes the fair
18 market value of PG&E’s land, property, and rights is \$3.4 billion.¹⁴ The sales comparison
19 approach, cost approach, and concept of economic obsolescence provide additional
20 context for determining fair market value for the PG&E assets being valued.

21 **D. Exhibit CCSF-005: The City’s Investment Banking Approach to Valuation**
22 **(Beicke)**

23 Exhibit CCSF-005 supplements the City’s appraisal of the fair market value of the
24 land, property, and rights provided in Witness Rabon’s testimony. Witness Beicke
25 explains how the valuation methods required in the Decision also are standard practices
26 in the investment banking industry in the context of advising prospective buyers of utility
27 assets in voluntary transactions, *i.e.*, where the seller and buyer mutually consent to the
28 transaction. Witness Beicke’s analysis and testimony suggests that a range of values
29 between \$3.2 billion and \$3.8 billion would be a fair price to pay for PG&E’s land,

¹⁴ See Exh. CCSF-004 (Rabon).

1 property, and rights, which supports the conclusions of Witness Rabon in Exhibit CCSF-
2 004 valuing the assets at \$3.4 billion.¹⁵

3 **E. Exhibit CCSF-006: The City’s Regulatory Accounting Treatment (Fulmer)**

4 The Decision requires that shareholders be appropriately compensated for their
5 investment and that ratepayers outside of San Francisco remain neutral to the proposed
6 acquisition. To achieve this goal, Witness Fulmer preliminarily proposes that the fair
7 market value be allocated to shareholders because it represents the capital value of assets
8 that shareholders own and on which they bear investment risk. He presents two
9 exceptions to this general formula for (a) the fair market value of assets that were
10 contributed by PG&E’s customers or ratepayers and/or (b) any portion of the fair market
11 value that is necessary to ensure remaining ratepayers remain neutral to the City’s
12 acquisition.¹⁶

13 Witness Fulmer testifies that business severance damages are aimed at achieving
14 ratepayer neutrality under the Decision. He concludes such damages or benefits should be
15 allocated to ratepayers because ratepayers, and not shareholders, bear the risk and net
16 cost of any operational inefficiencies or stranded costs that may arise after the City load
17 departs PG&E service. Mr. Fulmer shows the different cost components of PG&E’s rates,
18 indicating how the City’s departure may impact those costs, and how the Commission
19 should account for those impacts either through existing rate mechanisms or through
20 business severance damages or benefits.

21 In addition, there are costs that are mandated to be paid via the Transfer
22 Municipal Departing Load Tariff (“TMDL”). Mr. Fulmer proposes the costs covered by
23 the TMDL either be recovered from the City’s ratepayers directly or included in business
24 severance damages as a net present value of the TMDL charges that existed as of the time
25 of the Petition. Witness Fulmer concludes that those existing rate mechanisms and the
26 business severance damages or benefits are the main vehicle through which ratepayers
27 are kept neutral to the proposed acquisition.¹⁷

¹⁵ See Exh. CCSF-005 (Beicke).

¹⁶ See Exh. CCSF-006 (Fulmer).

¹⁷ See *id.*

1 Mr. Fulmer also concludes that proceeds to cover physical separation costs should
2 be initially estimated based on PG&E's system at the time of the Petition. To the extent
3 PG&E incurs physical separation costs, the City's reimbursement of those costs should
4 be allocated to ratepayers to the extent ratepayers fund the costs.¹⁸

5 **F. Exhibit CCSF-007: The City's Separation Plan (Yeung and Wu)**

6 Attached to Exhibit CCSF-007 is a Separation Plan to establish the list of land,
7 property, and rights the City will acquire for appraisal purposes and to determine any
8 severance damages. The City's Separation Plan is based on the City acquiring PG&E's
9 Martin Substation and the construction of a new, smaller PG&E substation directly
10 adjacent to the existing site, since most of the electricity flowing through Martin serves
11 San Francisco.¹⁹

12 The City's Separation Plan is based on a single scenario for acquiring the Martin
13 Substation and includes the following components:²⁰

- 14 • The precise scope and boundaries of the parts of Martin substation the City
15 plans to acquire;
- 16 • The points of demarcation and separation, physical alterations, and changes in
17 the controls and/or communications relating to the Martin substation;
- 18 • The specific boundaries for each existing transmission and distribution circuit,
19 as well as the incremental substations and feeders required; and
- 20 • Details of the separation, including the timeline of the separation.

21
22 This concludes my testimony.

18 *See id.*

19 *See Exh. CCSF-007 (Yeung and Wu).*

20 *See id.*

APPENDIX I

Curriculum Vitae

DENNIS J. HERRERA

San Francisco Public Utilities Commission
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SUMMARY OF QUALIFICATIONS

- **Direct the third largest municipal utility in California**, providing water, power, and wastewater services to retail customers in the City and County of San Francisco, while also supplying water to an additional 2 million wholesale customers in three Bay Area counties. Provide leadership and management of the agency's public policy and strategic initiatives and oversee all assets, resources and operations of the 2,700 person agency and its \$3B budget.
- **Directed an award-winning legal office** that was described by *American Lawyer* as "one of the most aggressive and talented city law departments in the nation" and which included five former Supreme Court clerks amongst its ranks. **Well-respected legal expert with strategic insight**, good judgment, and a reputation for providing sound and comprehensive advice on a wide range of legal issues as well as excellent negotiation and communication skills.
- **Action-oriented leader and initiator of ground-breaking approaches** to solving complex problems, challenging conventional wisdom to execute innovative strategies.
- **Create successful teams characterized by trust and respect**, develop loyalty and commitment in others communicating high expectations, and inspire teams with purpose and a commitment to achieve clear objectives no matter what the difficulties.
- **Cultivate strategic partnerships with key stakeholders**, foster collaboration internally and externally, achieve high levels of client satisfaction and maintain a reputation for being fair-minded with a focus on bridging divides.

PROFESSIONAL EXPERIENCE

CITY AND COUNTY OF SAN FRANCISCO

2002 to present

General Manager, San Francisco Public Utilities Commission

2021 to present

Serve as General Manager and chief executive of the San Francisco Public Utilities Commission, which provides top quality drinking water and wastewater services to the City and County of San Francisco, wholesale water to three Bay Area counties, and green hydroelectric and solar power to our municipal departments and commercial customers.

Notable Achievements

- Oversee an operationally diverse \$11B Capital Improvement Plan that is one of the most complex in the San Francisco Bay Area as it is divided between the agency's Wastewater, Water, and Power Enterprises.
- Guide a sophisticated borrower and national leader in green finance with a strong credit history. Partner with rating, audit and oversight agencies to consistently maintain "Double A" category ratings across all three enterprises (Wastewater, Water, and Power).
- Lead an innovative Environmental, Social and Governance (ESG) effort that is one of the most well respected in the industry.

City Attorney, Office of the City Attorney

2002 to 2021

Elected and re-elected to office six times, served as Chief Legal Officer for the City and County of San Francisco, managing legal affairs for the City with a staff of over 300 and a budget of \$86M, primarily in these areas:

- General Counsel – Provided expert legal advice to more than one hundred city departments, agencies, and commissions along with all elected city officials, based on experience, knowledge of the law, and an in-depth understanding of how legal issues impacted City operations.
- Litigation – Handled all claims filed against the City and prosecuted civil actions in which the City is a plaintiff and in cases on behalf of "The People" of the State of California on a broad array of issues ranging from labor and employment cases to prosecuting fraud and unfair competition actions – about 5000 annually.
- Government – Drafted ordinances and contracts; advised on issues such as Appellate Advocacy; Construction; Contracts; Intellectual Property; Environmental Protection; Finance; Real Estate; Labor; Public Utilities; Ethics; Health, Education, and Social Services; Taxation; Telecommunications; Transportation; and Energy.

DENNIS J. HERRERA

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- Negotiations – Managed and directed all contract and labor negotiations on behalf of the City.

Notable Achievements

- Led the only legal team involved in every aspect of the legal fight against laws hostile to marriage equality in every case, in every court, before every judge in the State of California since 2004.
 - ~ Filed first government litigation in American history challenging the constitutionality of these laws, winning a landmark decision in 2008 that toppled marriage exclusion in California.
 - ~ Collaborated with well-known attorneys David Boies and Theodore Olson, trying and arguing the landmark *Perry v. Schwarzenegger* case that resulted in a favorable 5-4 decision before the US Supreme Court in June 2013.
- Secured a nationwide injunction against Presidential Executive Order 13768 - *Enhancing Public Safety in the Interior of the United States* - which purported to deny federal grants to certain “Sanctuary Cities.”
- Led groundbreaking public integrity investigation and lawsuit on behalf of the San Francisco Unified School District, blowing the whistle on a nationwide scam to defraud the federal E-Rate program, which expands access to technology to the poorest school districts; testified before Congress helping to establish lasting protections against waste, fraud, and abuse.
- Drove passage of a bill through the state legislature and Governor Schwarzenegger’s signature to ban ‘gender rating’ by health insurance companies which charged women up to 39% more for insurance premiums.
- Initiated litigation and personally led the negotiations to force the closure of the last remaining power plant (Mirant) in San Francisco – at the time, the oldest and dirtiest in the State of California.
- Secured a multi-million dollar settlement for thousands of California consumers against the nation’s two largest payday lenders for circumventing California's interest rate and loan principal limit laws.
- Compelled the National Arbitration Forum and Bank of America to drop a requirement that consumers with credit card debt disputes enter into binding arbitration, which resulted in nationwide reforms with respect to credit card arbitration practices.

KELLY, GILL, SHERBURNE & HERRERA, San Francisco, CA

1991 to 1993 and 1996 to 2001

Associate and then Partner

Served as legal counsel for leading US maritime companies and as trustee of four pension and benefit plans that managed more than \$200M in assets.

- Represented American President Lines, Ltd. in connection with its \$1B acquisition by Neptune Orient Lines, successfully negotiating with the US government and six labor unions to secure deal approval.

US MARITIME ADMINISTRATION, DEPARTMENT OF TRANSPORTATION, DC

1993 to 1996

Special Assistant / Chief of Staff

Appointed during the Clinton administration to assist the Maritime Administrator supervise the agency’s eight operating divisions with more than 1000 employees and a \$684M operating budget.

- Served as senior advisor to the Administrator on all policy, legislative, and executive initiatives with special emphasis on management and legislative reorganization.
- Drove implementation of the National Shipbuilding Initiative and formulation of the Maritime Security Program, which revitalized the American shipbuilding industry, and ensured the survival of a militarily useful U.S. Flag Fleet to provide strategic sealift capability to the U.S. military.

DERBY, COOK, QUINBY AND TWEEDT, San Francisco, CA

1989 to 1991

Litigation Associate

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EDUCATION

J.D., George Washington University School of Law, Washington, DC – 1988

B.A., Villanova University, Villanova, PA – 1984

Member, State Bar of California, #139669 – admitted 1989

HONORS AND APPOINTMENTS

- Among “California’s top 100 Influential Attorneys,” *Daily Journal* (numerous times)
- Northern California “Super Lawyer,” *Super Lawyers Magazine* (numerous times)
- “Lifetime Achievement Award for Outstanding Excellence, State and Local Government Law,” American Bar Association
- President, International Municipal Lawyers Association (past)
- Attorney of the Year, Hispanic National Bar Association
- Member, Board of Directors San Francisco Bar Association (past)
- Member, Board of Directors, American Constitution Society (past)
- President, San Francisco Police Commission (past)
- Member, San Francisco Public Transportation Commission (past)