

**PACIFIC GAS AND ELECTRIC COMPANY
Non-Case Discovery
Data Response**

PG&E Data Request No.:	ED_311-Q001
PG&E File Name:	Non-CaseDiscovery_DR_ED_311-Q001
Request Date:	February 13, 2026
Requester DR No.:	SB 695 Report Part II IOU Recommendations
Requesting Party:	Energy Division
Requester:	Bridget Sieren-Smith
Date Sent:	March 6, 2026
PG&E Witness(es):	Various

**SUBJECT: 2026 SB 695 REPORT IOU RECOMMENDATIONS TO LIMIT COST AND RATE –
INCREASES (ELECTRIC AND GAS IOUs) – PART II**

QUESTION 001

This data request is issued regarding proposed recommendations of the electric and gas investor-owned utilities (IOU) to limit cost and rate increases consistent with the state’s energy and environmental goals for reducing greenhouse gases, pursuant to Public Utilities Code Section 913.1 which requires the utilities to:

“...study and report to the commission on measures that they recommend be undertaken to limit costs and rate increases.”

In preparing your utility’s response, the IOU should be as specific as possible in identifying and quantifying specific potential cost savings initiatives.¹

Combined electric and gas utilities (PG&E and SDG&E) are to clearly indicate that their response(s) cover gas.

The data provided in the response will be included in its entirety in an appendix to the 2026 SB 695 Report.

ANSWER 001

Pacific Gas and Electric Company (PG&E) reaffirms our commitment to addressing the issue of affordability of energy bills for our customers, and shares in the Commission’s mission to ensure our customers receive safe, reliable, clean, *and* affordable utility service at stable, just and reasonable rates. Affordable and quality service is central to PG&E’s goals, as we seek to balance the growing demand for clean energy with the need to support the financial well-being of our diverse customer base. With the

¹ Data reflecting rates trends, cost recovery mechanisms, types of cost recovery proceedings, and other data non-specific to studying and reporting on measures recommended to limit cost and rate increases should not be included, except to the extent that such data directly supports the recommendations.

Commission's support, PG&E's efforts to reduce costs and limit bill increases are producing tangible results. Including PG&E's March 2026 electric rate change, PG&E has lowered electric rates for residential customers who receive both electricity supply and delivery from PG&E for the fifth time since January 2024. Residential bundled electric rates are 13% lower than in January 2024 – and 23% lower for customers on the California Alternate Rates for Energy (CARE) program – reinforcing our commitment to manage energy costs for customers.² For non-CARE and CARE customers combined, this is equivalent to a 15% decrease in the residential bundled average electric rate. In this response, PG&E provides measures and recommendations in furtherance of these goals. This response covers all of PG&E's services, including gas.

I. Rate Design

PG&E understands how important it is to our customers that we keep monthly electricity and gas costs affordable and stable while maintaining safe and reliable service.

Since the issuance of the decision on Residential Rate Reform (D.15-07-001) over a decade ago, the energy sector in California has seen rapid changes, including technology innovations, new market entrants and expanded customer choice. Further, the state has continued to pursue efforts consistent with its vision for a clean electric future for California that includes a path to a 100 percent greenhouse gas (GHG)-free electricity future (as evidenced by the passage of SB 100 in 2018). Critical to this future is a robust electric network that enhances reliability and safety, is affordable, and allows all Californians to equitably benefit from and finance this clean energy future.

To support this clean electricity future, in which customers have more choice than they had in the past, the rate architecture needs to continue to evolve and ultimately transition to a structure under which customers pay for the network separately from paying for the electrons. Great progress has been made in California in recent years through the Commission's leadership on residential rate reform. Reducing the emphasis on tiered pricing, beginning the transition toward more cost-based time-of-use (TOU) rates, and implementing income-graduated fixed charges (known as the "Base Services Charge") to reduce artificially high volumetric rates are three significant accomplishments thus far that have been implemented since the Commission's Residential Rate Reform proceeding. By reducing volumetric rates (particularly upper-tier rates on tiered rate schedules), these reforms encourage electrification and help achieve the state's clean air policy goals.

Relying almost exclusively on volumetric rates for residential customers, even if differentiated by TOU, is not sustainable, as such designs do not reflect the way actual costs are incurred. In the absence of reasonable fixed charges that collect at least a portion of utility fixed costs, higher-usage customers are forced to pay disproportionate shares of PG&E's fixed costs and thus subsidize lower-usage customers. Moreover, an inclining-block tiered rate structure exacerbates these subsidies from higher-usage customers to lower-usage ones.

² Percentages changes in average rates include the average rate impact resulting from the implementation of the Base Services Charge effective March 1, 2026.

Such rate structures, where volumetric electric rates (and, particularly, volumetric upper-tier rates) end up being set far in excess of the actual marginal costs of generating and delivering electricity, provide economically inefficient price signals to customers. They also run counter to the public policy objective of encouraging building electrification via customers switching from appliances/equipment that use natural gas to those that use electricity in order to reduce emissions. Customers facing the choice between gas or electric appliances/equipment that provide the same service (for example, a residential household deciding whether to heat its home with a gas furnace or with an electric heat pump, or to obtain its hot water with a gas water heater or an electric heat pump water heater) will be less likely to choose the electric option if electric volumetric rates are set at artificially high levels – since doing so will lead to a much higher bill.

For electrification to succeed, it is critical to reduce volumetric electric rate levels to achieve the desired emissions reductions. This can be accomplished via a number of changes to electric rate designs, summarized in bullet form below (and further described in the following three sub-sections):

- Increasing fixed charges to collect a greater, more reasonable, portion of utility fixed costs, resulting in lower volumetric electric rates;
- Further reforming tiered rate structures for electricity to either eliminate non-cost-based tiered prices or, at minimum, reducing the magnitudes of the price differentials between tiers; and
- Further reforming the compensation provided to customer-generators with on-site solar systems via Net Energy Metering (NEM).

Fixed Charges Coupled With Lower Volumetric Rates

As noted above, a critical step to fair and equitable rates is the implementation of a fixed charge for residential customers to recover fixed costs that do not vary with usage. In 2013, the Legislature enacted Assembly Bill (AB) 327, which permitted a modest fixed charge subject to an inflation-adjusted cap. More recently, in 2022, the legislature enacted AB 205, which eliminated the cap on the fixed charge and, instead, authorized the Commission to implement an income-graduated fixed charge with at least three income categories wherein customers with higher incomes pay higher fixed charge amounts.³ The Commission did just that after evaluating proposals from the utilities and intervenors in its Demand Flexibility OIR proceeding (R.22-07-005). In May 2024, the Commission issued Decision 24-05-028 directing PG&E to implement three income-graduated fixed charges, as follows:

- Tier 1: a fixed charge of \$6.00 per month for customers enrolled in PG&E's California Alternate Rates for Energy (CARE) program;

³ AB 205 also authorized the Commission to do away with the “Composite Tier 1 Methodology” it had utilized historically for designing tiered rates. This methodology had the effect of restricting the use of fixed charge revenues for the sole purpose of reducing Tier 1 rates while leaving upper-tier rates unchanged. Its elimination helps the achievement of the state’s electrification goals by permitting decreases to high upper tier rates (which would otherwise disincentivize customers from purchasing electric appliances/equipment).

- Tier 2: a fixed charge of \$12.08 per month for customers who are either (a) enrolled in PG&E’s Family Electric Rate Assistance (FERA) program or (b) living in affordable housing restricted to residents with incomes at or below 80 percent of Area Media Income; and
- Tier 3: a fixed charge of \$24.15 per month for all other customers.

While PG&E advocated for even larger fixed charge levels than those adopted by the Commission, it nevertheless supports the income-graduated fixed charges ordered by D.24-05-028, which PG&E implemented as the Base Services Charge on March 1, 2026, as a crucial step in reforming residential rates. Residential fixed charges are consistent with rate design policies adopted by public utility regulators around the country and are similar to the fixed monthly charges that have been present in all of PG&E’s non-residential rates for decades. The addition of fixed charges to residential rates will result in a more cost-based rate design that will spread costs to customers in a more equitable way based on the fixed costs to serve them. More importantly, the resulting volumetric electric rates will be lower and closer to marginal costs of service, providing critical incentives for customers to switch to cleaner electric appliances and equipment.

Eliminating Steeply-Tiered Residential Rates

Since 2010, PG&E has been advocating for fewer tiers in residential rates, along with smaller price differentials between tiers. In July 2015, in D.15-07-001, the CPUC adopted a multi-year “glide path” trajectory that represented an important step in that direction, reducing the number of tiers and gradually reducing the ratio of the Tier 2 rate to the composite Tier 1 rate.⁴ Currently, as of January 1, 2026, the ratio between PG&E’s Tier 2 and composite Tier 1 rates is set at the 1.25-to-1 final glide path ratio directed by D.15-07-001.⁵ While an improvement over the situation that existed in 2015, a 1.25-to-1 ratio nevertheless still over-charges customers for usage above their baseline amounts, while subsidizing customers whose usage stays within Tier 1. Furthermore, the magnitude of the cent-per-kWh differential between the Tier 1 and 2 rates remains at nearly 10 cents per kWh. As noted above, a differential of this magnitude is not cost-based, and results in a large subsidy from upper-tier users to lower-tier ones. Moreover, it critically disincentivizes customers from switching to cleaner electric appliances, since such purchases will likely drive electric usage of Tier 1 users into the significantly higher-priced Tier 2. In its 2023 GRC Phase II Application,⁶

⁴ The Tier 1 rate applies to usage between zero and the customer’s baseline amount, while the Tier 2 rate applies to usage above baseline. The composite Tier 1 rate is calculated by adding any revenues from a fixed charge or a minimum bill amount to Tier 1 energy revenues, then dividing by Tier 1 sales. Thus, the composite Tier 1 rate exceeds the nominal Tier 1 rate actually paid by customers for Tier 1 kWh usage.

⁵ Because the composite Tier 1 rate exceeds the actual Tier 1 rate, the resulting nominal rates have a ratio that slightly exceeds 1.25-to-1.

⁶ Application of Pacific Gas and Electric Company to Revise Its Electric Marginal Costs, Revenue Allocation, and Rate Design. (U39E), Application 24-09-014 (Sept. 20, 2024).

PG&E has proposed to reduce this differential to \$0.06/kWh, and freeze it at that level until it is further addressed in a future rate design proceeding.⁷

Rate structure and compensation for Net Energy Metering (NEM)

The NEM tariff allows customers with on-site generation (primarily rooftop solar photovoltaic (PV) equipment) to receive a retail-based credit (for generation plus transmission and distribution rates less certain public purpose program and other non-by-passable charges) for the energy they send out to the grid to offset the cost of their consumption within the month and within an annual true-up period.⁸ This results in residential NEM customers being compensated over \$0.30/kWh for electricity that, according to the CPUC's 2024 Avoided Cost Calculator, is worth approximately \$0.05/kWh.

This 20+ cent premium is paid by non-participating customers, resulting in a cost shift. As of December 31, 2025, the estimated annual NEM cost shift for PG&E customers was \$4.7 billion, making electric rates approximately 24% higher than they would be in the absence of the NEM cost shift. The December 2022 NEM Decision (D.22-12-056) replaced NEM with a "Net Billing Tariff (NBT)," which instead compensates all exported electricity according to CPUC's Avoided Cost Calculator. This, combined with other changes, is estimated to reduce the cost shift from future NBT eligible installations by about 50%. NEM 2.0 eligibility ended for most new applications on April 15, 2023. PG&E received an unprecedented number of applications between D.22-12-056 and the sunset date from customers and installers seeking to interconnect under the legacy tariff. Between the backlog of NEM 2.0 eligible applications that will continue to interconnect and the significant residual cost shift resulting from NBT installations, NEM/NBT will continue to be a source of affordability pressure for the foreseeable future.

PG&E believes that these residential rate design and NEM reforms can have a beneficial near-term impact on its cost of delivering safe and reliable gas and electric services to its customers, as well as more fairly charging customers rates which better reflect PG&E's cost to serve them – all the while incenting building electrification policies by making electric service more affordable to higher-usage customers.

Rate Smoothing

Rate smoothing is an implementation tool that pairs together approved rate increases with approved rate decreases to provide the most stable and least disruptive experience to customers when changing rates. This can be achieved by timing the implementation

⁷ It is worth noting that Schedule E-TOU-C, the default TOU rate schedule approved by the CPUC, while providing better price signals to customers to shift their electric usage from high-cost peak hours to low-cost off-peak ones, still has a two-tiered structure that disincentivizes customers from switching to electric appliances. The vast majority of PG&E's residential customers, approximately 86 percent, take service on either tiered Schedule E-1 (35 percent) or tiered TOU Schedule E-TOU-C (51 percent).

⁸ The 2016 NEM successor tariff decision, Decision (D.)16-01-044, required customers to pay certain non-bypassable charges on all usage not offset by on-site generation, reducing some of this cross-subsidization.

of a newly adopted revenue requirement with the completion, and subsequent removal, of one-time cost recovery, such as the recovery of recorded emergency response and restoration costs. With the Commission's support, the impact of rate smoothing was recently demonstrated upon implementing the revenue requirements adopted by the 2023 Wildfire Mitigation and Catastrophic Events (WMCE) final decision, D.26-02-004. More specifically, on March 1, 2026 PG&E was able to pair the implementation of the remaining revenue requirement of about \$757 million adopted by D.26-02-004 with the removal of \$753 million in interim rate relief (IRR) revenue requirement adopted by D.24-09-003 in the 2023 WMCE proceeding, creating a smoother rate implementation experience for customers.

Rate smoothing can also be achieved by allowing for flexible amortization periods for approved revenue requirements. By providing the flexibility to extend the amortization period of revenue requirement recovery, PG&E may be able to consolidate rate changes to achieve the rate smoothing noted above. For example, IRR for the Wildfire and Gas Safety Cost (WGSC) Tracks 1 and 2 would have come out of rates in April 2025 following the standard 12-month amortization period. However, PG&E did not have a scheduled rate change for April 2025. Because the decision approving the cost recovery provided the flexibility to extend the amortization period, through the 2025 annual electric and gas true-up advice letters, PG&E was able to extend the amortization for the remaining costs to come out of rates on September 1, 2025, and January 1, 2026, respectively to consolidate with other planned rate changes. The longer amortization of the remaining costs allowed for customers to experience fewer rate changes in 2025. While the amortization flexibility allows PG&E to extend the period over which the revenue requirement is collected in rates, it does not allow PG&E to collect more than what the CPUC has authorized. PG&E will continue to seek this flexibility in final decisions in order to continue providing customers with the smoothest, most stable experience and limiting the number of rate changes.

II. Simple Affordable Model

The Simple Affordable Model pairs together annual customer capital investment of 9 percent with limited customer bill growth of 0-3 percent through 2028.

Bridging that gap between investment growth and bill growth will rely on three key areas:

- Reducing operating and maintenance costs
- Increasing electric load growth
- Lowering our financing costs and other areas of savings

Waste Elimination Efforts

PG&E continues to mature its Lean Operating System which is designed to drive more effective and responsive decision-making, reduce the challenges many of us face in our day-to-day work, and deliver better outcomes for our customers. Waste Elimination is one of the five basic plays of a Lean Operating System.

Waste Elimination is defined as removal of non-value-added work from a process, allowing PG&E to complete more value-added work with the same resources. The

result allows PG&E to deliver more value to our customers. The waste elimination program oversees projects that are working to eliminate specific types of Lean Waste such as transportation, inventory, motion, waiting, over production, over processing, defects, and skills. The focus on Waste Elimination at PG&E has two important goals: 1) Building organizational knowledge to enable employees to see waste and eliminate it in their day-to-day work and 2) Driving waste elimination projects and programs that realize improvement benefits. Below are some of the waste elimination projects PG&E has in progress.

In 2025, we saved more than \$950M in operating and capital costs by managing more than 300 initiatives to reduce materials, labor and other costs and more efficiently plan, execute and automate our work to deliver for our customers. Examples include:

- **Infrastructure Optimization and Reliability \$265M savings:** Utilizes the Comprehensive Pole Inspection Program using drones and boring into the pole to assess pole condition, helping identify and prioritize the right work, and complete it 50% faster than previous standard.
- **Operational Bundling \$107M savings:** Focuses on grouping related electric distribution jobs into bundles so crews can complete multiple tasks in a single visit; increases efficiency of each job and minimizes repeated power outages and service interruptions to customers; bundling electric powerline projects into a single scope of work instead of doing individual jobs separately on a section of powerline, reducing customers' inconvenience from planned outages and resources deployed
- **Contract & Expense Rationalization \$26M savings:** Reduced IT expenses by switching from complex, time-based contracts to simpler, fixed-rate agreements.
- **Maintenance Optimization & Outage Reduction \$14M savings:** Diablo Canyon Power Plant is shortening refueling outages, while maintaining safety. By doing maintenance while the plant is running when possible, it's making refueling outages more efficient.
- **Boardwalk Replacement Improvements \$3.5M savings:** The replacement of approximately 47.9 miles of old Boardwalks with newer, more resilient materials. Boardwalks are mats that protect sensitive or marshy habitats from vehicles that must drive over them to access electric equipment; providing more direct truck-to-tower access for maintenance crews, and align with state and federal agency long-term habitat restoration and management goals for wetlands around the Bay.

PG&E is continuing to mature the waste elimination journey in 2026 and will look for further opportunities to make our company more efficient and affordable.

Securitization

Since 2021, PG&E has issued securitized debt totaling \$3.2 billion authorized under AB1054. PG&E anticipates that the cost savings to customers from these securitizations is about \$65 million per year on average.

Further, in 2025, California passed Senate Bill 254 that will allow PG&E to securitize an additional \$2.9 billion of wildfire mitigation related capital expenditures. PG&E anticipates this additional securitization could save customers \$22 million per year on average.

In November 2025, PG&E also filed an application with the CPUC proposing to securitize Wildfire Expense Memorandum Account (WEMA) Electric costs of \$1.5 billion. If approved, this securitization could further save customers \$19 million per year on average compared to conventional ratebase financing over 25 years.

However, there is a limit to the total amount of securitized debt that can be outstanding at any one time, and as that limit is approached, the credit ratings of securitized debt fall and the cost advantage may not be realized.

Beneficial Load Growth Opportunities

Over the last 15 years, energy use has been decreasing in CA due to rooftop solar and energy efficiency. Now, with the growing electricity demand from electric vehicles (EVs) and data centers, there is an opportunity to spread costs out over more sales. Under the right conditions, this incremental load opportunity can benefit all customers by lowering the unit cost of energy, fully utilizing the grid, and decarbonizing our economy. So long as the incremental revenue resulting from these new loads exceeds the marginal costs to connect and serve them, our existing customers' rates will decrease, all else equal.

Moreover, EVs have additional benefits since they can provide both incremental and flexible load. This dynamic demand can be leveraged to “fill the belly of the duck” to support more affordable energy for all customers. For example, an Electrification Impact Study (EIS) recently conducted by PG&E found that upgrades to the electric distribution grid to support new electric demand by 2040 could decrease distribution rates by up to 25 percent.⁹ This is because the study found that the incremental revenue from this additional electric usage more than covers the investment costs.

Additionally, PG&E's 2027 GRC application recently demonstrated the potential benefit that incremental revenues generated through load growth would have on PG&E's request in the application. By calculating incremental GRC-related revenues generated by the load growth assumed in the California Energy Commission's (CEC) 2024 Integrated Energy Policy Report California Energy Demand Baseline Forecast (2024 CED Baseline Forecast), PG&E's analysis demonstrated that the bill impacts resulting from PG&E's revenue requirement request would be reduced. The table below shows the bill impact of the revenue requirement increase requested in our 2027 GRC

⁹ PG&E, “New PG&E Study Shows Electrification Will Lower Electricity Rates Over Time,” (January 30, 2026). See <https://www.pge.com/en/newsroom/currents/future-of-energy/new-pg-e-study-shows-electrification-will-lower-electricity-rate.html>

application with and without consideration of future load growth. Once the load growth forecasted in the CEC’s 2024 CED Baseline Forecast is considered along with PG&E’s full revenue requirement request, the typical bundled residential electric bill would increase by 4% in 2027, remain unchanged in 2028 and 2029, and *decrease* by 1% in 2030.¹⁰ Thus, load growth can have a marked rate-reducing impact on the trajectory of future bills while still accommodating the necessary investments in utility service for customers.

**ILLUSTRATIVE 2027 GRC ELECTRIC MONTHLY BILL IMPACT
WITH AND WITHOUT LOAD GROWTH**

Line No.	Category	2027	2028	2029	2030
1	2027 GRC Electric Residential Bill Impact - <u>Without</u> Load Growth	\$11	\$7	\$7	\$8
2	<i>Year-over-Year Percentage Change</i>	5%	3%	3%	3%
3	Illustrative 2027 GRC Electric Residential Bill Impact - <u>With</u> Load Growth	\$8	\$1	\$(1)	\$(3)
4	<i>Year-over-Year Percentage Change</i>	4%	0%	0%	(1)%
5	Bill Impact from Electric Load Growth	\$(4)	\$(6)	\$(8)	\$(10)
6	<i>Year-over-Year Percentage Change</i>	(2)%	(3)%	(4)%	(5)%

Self-insurance Program for Wildfire and Non-Wildfire Liabilities

PG&E established a self-insurance program for its wildfire liability coverage, as approved in D.23-01-005. Some key terms of the program are: (1) PG&E’s wildfire liability insurance will consist of self-insurance only beginning in 2023; (2) wildfire self-insurance was funded at \$400 million for 2023; (3) for each year during 2024-2026, the self-insurance funding may be adjusted annually to reflect prior year’s claims activity and to limit total available self-insurance to a maximum of \$1 billion; (4) PG&E is authorized to collect the actual costs of claims incurred, less a 5 percent deductible of the annual claims total (up to a total \$50 million deductible) that is not subject to recovery in rates; and (5) PG&E will credit any investment proceeds earned on customer-funded self-insurance amounts back to customers.¹¹

Self-insurance for wildfire liability instead of traditional commercial policies benefits customers. First, unlike commercial policies where the premium is paid whether the coverage is used or not, unused self-insurance remains available for use in future years. This can result in significant customer benefits compared to commercial insurance in years when PG&E’s claims are low. Additionally, unlike commercial policy

¹⁰ PG&E's 2027 General Rate Case proceeding, Application 25-05-009, Direct Testimony at Exhibit (PG&E-10), Chapter 18, pages 15-17. ([link: 566246449.pdf](https://www.cpuc.ca.gov/info/documents/566246449.pdf), PDF pages 489-491).

¹¹ See D.23-01-005, Appendix 1, Settlement Agreement Between Pacific Gas and Electric Company, The Utility Reform Network, and The Public Advocates Office at the California Public Utilities Commission on Wildfire Liability Insurance Issues (“Wildfire Liability Insurance Settlement”).

premiums that are typically due upfront at the beginning of a policy period, payments from self-insurance to satisfy claims often occur years after a wildfire event, allowing the self-insurance funding to be collected over time and be invested to earn interest that further reduces potential revenue requirement increases to customers. Further, PG&E will avoid paying certain taxes and fees associated with the purchase of commercial insurance.¹²

Initial customer funding for insurance was significantly lower under the self-insurance framework adopted under the Wildfire Liability Insurance Settlement compared to the prior status quo of purchasing commercial insurance. For example, for 2023, the approved funding for self-insurance is \$400 million, which is \$307 million less than PG&E's original 2023 GRC forecast. The total revenue requirement [and, therefore, the potential for total savings for customers] under the adopted wildfire self-insurance approach is dependent on the total amount of claims incurred for the 2023 GRC period.¹³ For this reason, scenarios cannot guarantee certain outcomes. In a best-case scenario, where no claims are incurred over the four-year GRC period (2023-2026), the self-insurance framework could result in customer savings of up to \$1.8 billion dollars compared to commercial insurance. In a worst-case scenario, for example where PG&E experiences full-limit, \$1 billion losses or greater in each year of the 4-year GRC period, the self-insurance framework could cost more than commercial insurance by up to \$1.125 billion.¹⁴ In approving the Wildfire Liability Insurance Settlement, the Commission found that "In any year during the 2023-2026 period, PG&E's wildfire liability insurance cost through self-insurance pursuant to the Settlement is likely to be less than the cost of commercial insurance for \$1 billion of coverage."¹⁵

The wildfire self-insurance program has been positive. For the year 2023, there were no accrued wildfire claims.¹⁶ For the year 2024, there was \$104,000 in accrued wildfire claims.¹⁷ PG&E's wildfire self-insurance fund reached \$1 billion by year end 2025, attributable to 1) the significantly reduced wildfire accrued claims in years 2023, 2024, and 2025 and 2) approval from FERC to collect proportional costs from TO customers (for years 2024 and 2025). For the year 2025, the Wildfire self-insurance RRQ was \$0 for CPUC customers and \$104 million for TO customers. For the year 2026, the Wildfire self-insurance RRQ is \$0 for all customers.

Given the experience with a wildfire self-insurance program, PG&E created a similar self-insurance program for non-wildfire liability coverage. D.25-03-008 approved PG&E, TURN, and Cal Advocates joint Petition for Modification (PFM) of PG&E's 2023 GRC Decision that focused on *repurposing* (no requested RRQ increase) a portion of the non-wildfire liability insurance RRQ for the remainder of the 2023 GRC period (2025

¹² D.23-01-005, FOF 7.

¹³ See D.23-01-005, FOF 5.

¹⁴ See Joint Motion of PG&E, TURN and Cal Advocates for Expedited Approval and Adoption of the Attached Settlement Agreement on Insurance Related Issues and D.23-01-005, Appendix B, Illustrative Calculation Reflecting the Worst-Case Scenario – Cost Recovery for Undercollections at the End of the 2023 GRC Period.

¹⁵ D.23-01-005, FOF 6.

¹⁶ See Advice 7231-E for further details.

¹⁷ See Advice 7556-E for further details.

and 2026 PY) to be used to create a non-wildfire self-insurance fund. The fund is calculated to provide long-term customer benefits, primarily because once the fund reached its targeted level, then a RRQ will no longer be collected from customers in rates. The non-wildfire self-insurance fund is proposed to operate nearly identical to the wildfire self-insurance fund described above. Assuming no losses, customers are estimated to start experiencing partial savings in the year 2029 (est. \$50-75M) and may experience increased savings in 2030 and beyond (est. \$100M – \$125M per year).

III. Securitization of Wildfire O&M Costs

PG&E supports Commission authorization to securitize wildfire mitigation-related O&M costs as an additional financial tool to mitigate rate impacts. The Commission previously authorized securitization of wildfire capital expenditures based on the economic benefits (i.e., customer cost reduction) as the sole standard of measure for the value of the proposal for securitization. However, securitizing wildfire mitigation-related O&M costs may result in other important customer benefits, such as promoting rate stability or reducing near-term costs (e.g., to mitigate rate impacts of vegetation management until ongoing system hardening work can be completed).

PG&E filed an application, which was denied in D.25-08-007, that relied on existing statutory mechanisms to securitize wildfire mitigation-related O&M costs to refund up to approximately \$2.3 billion to customers in the near term – resulting in a bill savings of up to ~\$16/month on average (or ~\$190/customer) for a 12-month period.

IV. Outside Sources of Funding

PG&E considers outside sources of funding that can bring bill relief to customers. PG&E, in partnership with other entities, previously applied for and was selected for several United States Department of Energy (DOE) grants that are currently under review in accordance with the DOE policy memorandum dated May 15, 2025, *Ensuring Responsibility for Financial Assistance*. PG&E efforts to identify, evaluate, prioritize, and pursue these funding activities are outlined in the utilities' quarterly filings as required by CPUC Resolution E-5254.

In January 2025, the DOE approved a \$15 billion loan guarantee for grid modernization and other work. Drawing down that lower-cost loan could save PG&E customers over \$1 billion in interest costs over the life of the loan. PG&E has met several times with the DOE to talk about the infrastructure investment we are making in California, which support the administration's goals to power the technology industry and secure our country's energy independence.

Beyond federal sources of funds, PG&E continues to monitor and/or pursue several other sources of potential funding, including the approved state climate bond (Proposition 4) to fund clean vehicles, grid upgrades, wildfire mitigation, etc.; and the funding of capacity upgrades through the low carbon fuels standard (LCFS) program. PG&E has been approved to use \$20 million in LCFS revenues to fund electric distribution capacity upgrades directly supporting public electric vehicle (EV) charging requests, specifically targeting underserved, low-income, or rural communities. PG&E is committed to working with stakeholders on these initiatives and other proposals to find opportunities to alleviate rate pressures on our customers.

V. Legislative Efforts

PG&E would support a mechanism to fund the Public Purpose Program (PPP) surcharge on electric customers through the state's General Fund or through other sources such as the Greenhouse Gas Reduction Fund while continuing to offer these programs as appropriate. PG&E knows how important it is to keep monthly utility costs affordable and stable while maintaining safe and reliable service. This approach would lower the energy burden on our electric customers where we are increasingly concerned our customers are experiencing the effects of inflation. Programs and initiatives with broad societal benefits should not be borne by utility customers; instead, they should be funded more equitably among California's taxpayers or other non-utility sources.

VI. Eliminating High-Cost Mandates and Streamlining Procurement Planning

PG&E supports the elimination of costly procurement mandates and consolidation of procurement processes to ensure that customers' energy demand is met by the least cost portfolio of resources. Currently, PG&E is required to procure specific resources under several expensive programs that increase generation costs for customers compared to more cost-effective technologies. These programs, which include ReMAT and BioRAM, should be eliminated.

Procurement oversight should be streamlined under the Integrated Resources Program (IRP), and, specifically, the existing Renewable Portfolio Standard (RPS) proceeding should be integrated within the IRP. This would result in a more optimal mix of procurement and reduce administrative costs for load serving entities, intervenors, and the CPUC to the benefit of customer affordability.

VII. Power Charge Indifference Adjustment (PCIA) Reform

PG&E's bundled generation rate comprises two primary components: the Energy Resources and Recovery Account (ERRA) rate and the PCIA rate. Departed load customers, with the exception of a small number of Direct Access customers, also pay the PCIA rate. Departed load customers pay the PCIA rate to ensure that bundled customers are financially indifferent to their departure, as required by statute.

At a high level, the PCIA rate recovers the net market costs (e.g., costs less market value of all attributes). The attributes include energy value, Resource Adequacy (RA) value, and Renewable Portfolio Standard (RPS), as applicable. The ERRA costs, which are recovered only from bundled customers, comprise CAISO market purchases, short-term contracts, and "retained" RA and RPS from the PCIA-eligible portfolio. Because the RA and RPS values are a negative in the PCIA rate and a positive in the ERRA rate, there is often an inverse relationship between the two: when PCIA rates are low or negative, total generation rates are high and vice versa.

In recent years, PG&E generation rates have increased significantly in part due to astronomical increases in the retained RA and RPS value. From 2020 to the 2025 forecast, the System RA price used to estimate retained RA value increased 778 percent and the RPS price used to estimate retained RPS value increased 311 percent.

In 2025, the CPUC implemented an expedited interim reform to the methodology used to estimate retained RA value which PG&E supports and appreciates. Future phases of this ongoing proceeding are necessary to ensure that the interim RA fix is durable and to reform the RPS price used to value retained RA. Future comprehensive reforms should consider whether reliance solely on short-term prices to estimate the long-term value of a portfolio are appropriate and, if so, what options there are for utilities to hedge or protect bundled customers against the volatility that short-term markets can experience. An interim fix for the RPS price methodology may be warranted to ensure statutory indifference requirements are met while more durable solutions are adopted.