Pacific Gas and Electric Company ™

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December 1, 2023

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Informational Filing

Pacific Gas and Electric Company Transmission Owner Annual Update Filing under the Formula Rate in Docket Nos. ER19-13-000, ER19-1816-000, and ER20-2265-000 (Consolidated) for the Rate Year 2024

Dear Ms. Bose:

Pacific Gas and Electric Company (PG&E) respectfully submits for informational purposes its Annual Update for Rate Year 2024 (RY2024) pursuant to Section 4.6 of the Formula Rate Protocols, which are contained in Attachment 1 to Appendix VIII of PG&E's Transmission Owner (TO) Tariff. The RY2024 Annual Update revises PG&E's retail and wholesale Base Transmission Revenue Requirements (TRR), and associated retail and wholesale transmission rates, effective January 1, 2024.

On October 13, 2023, PG&E submitted its twenty-first Transmission Owner (TO21) rate case.[1] If the Commission issues a decision on or before December 13, 2023 authorizing the rates proposed in TO21 to be effective January 1, 2024, subject to refund, this Annual Update filing will be rendered moot.[2] In the event the Commission does not authorize

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[1] Docket No. ER24-96-000, filed on October 13, 2023, requesting the Commission to authorize rates to go in effect on January 1, 2024.

[2] In the event the Commission issues such a decision, PG&E will also post the TO21 rates on its website rather than the TO20 RY2024 rates in this filing.

the TO21 rates to go in effect on January 1, 2024, PG&E requests that the Commission issue a notice of this filing and establish a comment date.

Pursuant to the Formula Rate set forth in Appendix VIII of PG&E's TO Tariff adopted in the TO20 proceeding (TO20 Formula Rate), this Annual Update filing decreases the retail Base TRR from the currently effective amount of $3,178 million to $2,741 million and decreases the wholesale Base TRR from $3,164 million to $2,727 million.

Consistent with the TO20 Formula Rate Protocols (TO20 Protocols), this filing "shall not modify the Formula Rate or subject the Formula Rate to modification and shall not constitute a rate change filing under Section 205 of the [Federal Power Act (FPA)]."[3]

I. PG&E'S PROCESS FOR DEVELOPING THE ANNUAL UPDATE

Under PG&E's TO20 Formula Rate, the Base TRR is calculated as the sum of the Prior Year (Prior Year or PY) TRR, the Incremental TRR (ITRR), and the Annual True-Up Adjustment (ATA). The PY TRR represents the transmission costs that PG&E incurred in the previous calendar year. In this filing, the Prior Year is the calendar year that ended December 31, 2022 (PY 2022). The ITRR represents the incremental transmission costs associated with Capital Additions forecast to be operative during the year the rates will be effective (Rate Year). In this instance, the rates will be effective January 1, 2024, for the Rate Year 2024. The ATA trues up the Prior Year transmission revenues collected to the actual transmission costs incurred during the Prior Year (*i.e.*, PY 2022).

Consistent with the Protocols, on June 15, 2023, PG&E provided to Interested Parties a draft Annual Update for Rate Year 2024 that included the draft Model and a full set of supporting Workpapers.[4] After receiving the draft Annual Update, Interested Parties submitted 557 information requests (including subparts) and PG&E provided hundreds of pages of materials in response to these requests. PG&E also hosted technical conferences on August 16, September 11, September 14, and November 3, 2023, in addition to providing supplemental information as a result of those technical conferences.

On October 27, 2023, the California Public Utilities Commission (CPUC) provided comments on the draft Annual Update. PG&E appreciates the CPUC providing these comments.

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[3] PG&E's TO Tariff, FERC Electric Tariff Volume No. 5, Appendix VIII, Attachment 1, § 4.6.2.

[4] "Interested Parties" are defined in the TO20 Protocols as specific stakeholders and participants in PG&E's TO rate proceedings.

On November 13, 2023, PG&E provided to the Interested Parties an updated version of the draft Annual Update which included a revised capital additions forecast and incorporated changes to address errors identified during the information request process.

This filing reflects the changes in the TO20 Formula Rate Model approved by the Commission in a delegated order in Docket No. ER23-2758, issued on October 24, 2023.

II. OVERVIEW OF CERTAIN ITEMS RELATED TO RATE YEAR 2024 ANNUAL UPDATE

A. Overview of Changes Due to Updated Annual Information

The TO20 Formula Rate Model in Rate Year 2024 is a result of normal operation of the Annual Update process including changes in the inputs of: (1) Prior Year TRR; (2) the ITRR; and (3) the ATA.

1. Prior Year TRR: The Prior Year information for this Annual Update is information from the calendar year ended December 31, 2022. This information is largely obtained from PG&E's annual FERC Form 1 (FF1), including 2022 recorded costs such as Operations and Maintenance (O&M) expenses, Administrative and General (A&G) expenses, income taxes, other taxes, rate base, depreciation expense, abandoned plant, and other miscellaneous components in the Prior Year TRR fully described in the Model. The Prior Year TRR in this filing (PY 2022) of $2,586 million represents an increase of $13.4 million or 0.52% compared to PY 2021. The most significant changes in PY 2022 are: (i) a decrease in O&M and A&G expenses compared to prior years; and (ii) an increase in depreciation expense, return on plant and taxes, which partially offset the decrease in O&M and A&G expenses.

2. ITRR: The ITRR component of the Base TRR reflects the Rate Year 2024 capital additions forecast for the transmission projects that are expected to be operative by December 31, 2024. PG&E forecasts the following Electric Transmission capital expenditures: (i) $1.101 billion for 2023; and (ii) $896 million for 2024.[5] A more detailed description of the forecasted capital expenditures is included in Section II.B below.

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[5] PG&E's capital expenditure forecast is provided in Workpaper WP-9-PlantAdditions Tab 1, Capital Expenditures, which includes PG&E shared services Major Work Category (MWC) 5, 12, 21, 2F, 3N and

3. ATA: The ATA component is the difference between actual recorded costs to actual recorded (collected) revenue for each month of PY 2022, including interest calculated at the applicable federal interest rate. In this filing, the ATA is an overcollection (*i.e.*, credit to customers) of $175 million.

B. Capital Expenditure Forecast

PG&E is forecasting 2023 capital expenditures of $1.101 billion and 2024 capital expenditures of $896 million. A significant portion of PG&E's 2023 and 2024 capital expenditures is for work related to wildfire mitigation and/or repairing or replacing facilities damaged by wildfires. PG&E also has other programs which require capital expenditures for capacity and reliability, to replace aging infrastructure, or to perform Work at the Request of Others (WRO), such as new network upgrade projects. PG&E will be providing workpapers to the Interested Parties which include detailed information regarding PG&E's forecasted capital expenditures.

The capital expenditure forecast also reflects a Development, Coordination, and Option Agreement (DCOA) that PG&E is currently negotiating with Citizens Energy, a non-profit entity established in 1979 to, among other things, make renewable energy accessible for all. The overarching agreement is expected to provide Citizens with up to five (5) options to enter into separate 30-year leases with PG&E for an aggregate investment value of up to $1.0 billion. Under each lease, Citizens will prepay the total rent due thereunder to PG&E and in turn, Citizens would receive a leasehold interest in certain rights to use the identified transmission projects. Among other criteria, the capital costs of each these projects, to the extent of the proposed percentage to be leased to Citizens, must not already be included in PG&E's rate base. PG&E will continue to own, operate, and maintain the projects, and 100% of the rights leased to Citizens will revert back to PG&E at the end of Citizen's 30-year leasehold. Citizens will also pay a share of the O&M for these projects based on the percentage of its leasehold interest.

PG&E anticipates that the DCOA will be executed in late 2023, and, subject to satisfaction of customary closing conditions (including receipt of regulatory approvals), the first lease will go into effect in 2024. The amount of the prepaid lease payment will go into Citizens' FERC-approved rate base. To avoid double recovery of costs associated with the applicable projects (which are forecasted to be operative in 2024), in this filing, PG&E has removed from its capital forecast the amount of the prepaid lease payment that

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23. These MWCs are removed in subsequent Workpaper 9 tabs for the purposes of calculating capital additions forecast, which is reflected in Schedule 2 – ITRR of the Model, Line 200. Consistent with the Protocols, workpapers are provided to Interested Parties upon request. *See* Protocols § 16.

it expects to receive from Citizens' pursuant to the first lease. The applicable projects (and the excluded costs associated with these projects) are the same projects identified in PG&E's recent TO21 filing.[6]

If the transaction with Citizens does not close or changes occur to the projects that are expected to be included in the first lease, PG&E will revise the capital costs as well as any difference between actually incurred and forecasted costs in subsequent Annual Updates.

C. Calculation of the Remaining Excess Nonprotected Accumulated Deferred Income Tax

On December 20, 2018, the Commission approved an all-party uncontested settlement in PG&E's nineteenth Transmission Owner (TO19) case in Docket No. ER17-2154-002 (TO19 Settlement).[7] Section 2.1 of the TO19 Settlement provides for a process of flowing back the remaining excess Allowance for Deferred Income Tax (ADIT) in PG&E's next TO Tariff rate case (*i.e.*, TO20). Pursuant to Section 2.2.1.1 of the TO19 Settlement, the parties agreed that PG&E's flow back of the excess nonprotected ADIT should be $14.695 million per year unless certain conditions exist related to PG&E's credit rating.[8]

As of November 15, 2022, the S&P credit rating and Moody Credit rating for both PG&E Corporation and PG&E are at or above the threshold requiring the flow back of $14.695 million per year in excess nonprotected ADIT. Accordingly, pursuant to Section 2.2.1.3 of the TO19 Settlement, in Rate Year 2024, PG&E's flow back of the remaining excess unprotected ADIT will be $14.695 million per year. The protected and nonprotected adjustment is shown in Schedule 1-Base TRR, Line 405.

D. Allocation of Certain Enterprise-Wide Common Costs

In this filing, PG&E is including certain common costs, which were voluntarily removed in prior Annual Update filings. These costs are for enterprise-wide programs including

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[6] *See* Table PGE-0011-1, pages 7 and 8 of Exhibit No. PGE-0011 in Docket No. ER24-96-000.

[7] *Pac. Gas and Elec. Co.,* 165 FERC ¶ 61,244 (2018).

[8] Multiplied by the applicable tax gross-up rate for the year of the Annual ADIT Flow Back so long as the Standard and Poor's ("S&P") Long-Term Issuer credit ratings for PG&E Corporation and any subsidiary where its electric transmission assets reside ("Transmission Subsidiary") are not both below BBB- nor both above BBB+, and so long as the Moody's Long-Term Issuer credit rating for PG&E Corporation and its Transmission Subsidiary are not both below Baa3 nor both above Baa1.

wildfire prevention initiatives and associated customer outreach efforts.[9] In prior Annual Updates, PG&E voluntarily excluded these costs and instead sought recovery of 100% of these costs through CPUC-jurisdictional accounts and rates. However, these programs benefit all PG&E customers including transmission customers. Thus, it is appropriate to allocate a portion of these costs to transmission customers through the Annual Update.

E. Corrections to Prior Annual Update Filings

1. Annual True-up Adjustment to Rate Years 2022 and 2023 Annual Update Filings

In this Rate Year 2024 Annual Update, PG&E is correcting several errors that it has identified from earlier Annual Updates.

First, during the draft Annual Update review process for Rate Year 2024, PG&E determined that prior Annual Update filings for Rate Years 2022 and 2023 incorrectly added litigation payments held during bankruptcy (payments-on-hold)[10] to the FERC Form 1 Account 925 balance based on a cash basis instead of an accrual basis. Under the TO20 Settlement, starting in 2020, PG&E agreed to treat these kinds of costs on an accrual basis. This error was reflected in the Annual True-Up Adjustments (ATA) of Prior Years 2020 and 2021, respectively. This resulted in an overcollection. In this Rate Year 2024 Annual Update, PG&E is correcting this overcollection of A&G by including a credit to customers in the amounts of ($1,786,256) and ($4,886,816) for Prior Years 2020 and 2021 ATA, respectively. In addition, PG&E determined that prior Annual Update for Rate Year 2022 incorrectly understated the North Bay Fire related outside legal service costs removed from recorded FERC Account 923. This resulted in an overcollection of ($421,116). The corrections are reflected on Schedule 19-AandG, Line 109 and/or 107 for Prior Years 2020 and 2021. The total correction including interest is reflected in Schedule 4-ATA, Line 201 of Rate Year 2024 Annual Update.

Second, Recorded Severance amounts in Schedule 16-UnfundedReserves, Line 600 have been corrected for Prior Years 2020 and 2021. The total correction including interest is reflected in Schedule 4–ATA, Line 201of Rate Year 2024 Annual Update.

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[9] The program costs are tracked in CPUC-jurisdictional balancing and memorandum accounts including the Catastrophic Event Memorandum Account; the COVID-19 Pandemic Protections Memorandum Account; the General Office Sale Memorandum Account; the Regional Plan Memorandum Account; and the Wildfire Mitigation Plan Memorandum Account.

[10] During the bankruptcy period PG&E was unable to make litigation and claims payments.

Third, PG&E's Rate Year 2023 Annual Update included an update for year 2021 that had an error to the calculation of Weighted Cost of Long-Term Debt on Schedule 3-True-up TRR. The calculation includes the balance on Schedule 5-CostofCap-2, Line 106, Col 1 Unamortized Debt Expenses - Account 181 that erroneously includes the balance for Wildfire Fund Trust Underwriting Fee. The 13-month average for Unamortized Debt Expenses - Account 181 is reported as $199.8 million including the Underwriting Fee. The correct balance should be $153 million that excludes the Underwriting Fee. This correction including interest is reflected in Schedule 4 – ATA, Line 201 of Rate Year 2024 Annual Update.

Finally, in the Rate Year 2023 Annual Update filing, PG&E included an update for Prior Year 2021 that had a revenue credit error. This error resulted in TO customers being over-credited for FERC Account 454 by $6,233,437 million in rent and special facilities revenues. The correction including interest is included in Schedule 4-ATA, Line 201 of Rate year 2024 Annual Update and summarized in Table 1 below:

Table 1: Revenue Credit Correction

Line	2021	FERC Acct	Natural Acct	Acct Desc	Electric Transmission - High Voltage	Electric Transmission - Low Voltage
502	Reported (as filed)	454	4540010	Rent from Electric Property	4,068,965	7,461,297
502	Correct	454	4540010	Rent from Electric Property	2,499,792	2,797,033
				Difference	1,569,173	4,664,264

PG&E is providing Attachment E and Attachment F for the Rate Year 2022 and Rate Year 2023 corrected Models, respectively.

2. Correction to FERC Form 1 inputs

In 2022, PG&E incorrectly recorded $59,786,386 in Rate Neutral Securitization amortization costs to the FERC Form 2 Gas financial statements. These costs are related to securitization bonds issued for the Electric utility and should, therefore, be recorded in full as electric to the FERC Form 1 Electric financial statements. This error does not affect recorded adjusted A&G costs included in PG&E's TO formula filings because they are removed from FERC Account 925 recorded balances and therefore excluded from transmission rates.

F. Pacific Generation

On May 31, 2023, the Commission issued an order in Docket No. EC23-38-000 authorizing PG&E to transfer substantially all of its non-nuclear generation assets to its new wholly owned subsidiary, Pacific Generation (Pacific Generation Transaction).[11] The Commission accepted PG&E's commitment to hold harmless its customers from paying transaction-related costs, including costs related to consummating the Pacific Generation Transaction, incurred prior to consummation, or in the five years after consummation in accordance with the Commission's Hold Harmless Policy Statement. In this filing, PG&E removed recorded 2022 costs related to the Pacific Generation Transaction from Schedule 19-AandG of the Model. PG&E provided the Interested Parties Workpaper WP_19-AandG supporting the adjustments made to remove the transaction costs from the Transmission Revenue Requirement.

G. San Francisco General Office Sale

The sale of PG&E's San Francisco General Office (SFGO) occurred in 2021. PG&E is proposing to return the allocated gain from the sale to TO customers through the TO21 Formula Rate filing. PG&E is unable to return the gain on sale through the TO20 Formula Rate because the gain was recorded to a FERC Account that is not part of the TO20 Model. The gain from the SFGO sale is reflected on Schedule 1-BaseTRR, Line 509 of the TO21 Formula Rate Model and includes a rate year adjustment on Schedule 20-RevenueCredits, Line 1001.[12]

III. PETITION FOR LIMITED WAIVER

On October 24, 2023, PG&E filed with the Commission its Petition for Limited Waiver and Request for Expedited Action (Waiver Request).[13] In the Waiver Request, PG&E requested Commission authorization to exclude four cost inputs to the cost of long-term debt used in PG&E's Formula Rate for Rate Years 2024 and 2025 under its TO20 Formula Rate. As PG&E explained in the Waiver Request, implementation of PG&E's proposal will require adjustments to four line-items that appear in Schedule 5-CostofCap-

[11] *Pacific Gas and Electric Company,* 183 FERC ¶ 61,159 (2023) at P 45.

[12] Details on the SFGO sale gain in Docket No. ER24-96-000 may be found on Exhibit No. PGE-0004, Q13, subpart (8), Exhibit No. PGE-0008 and Exhibit No. PGE-0043 (page 2).

[13] *Pacific Gas and Electric Company*, Docket No. ER24-219-000.

2 and Schedule 5-CostofCap-3 in the Formula Rate Model to accurately reflect the cost of debt that was used to finance transmission infrastructure[14]:

- <u>FERC Account No. 223</u>: Approximately $9.1 billion of securitized debt booked in (Long-Term Debt Advances from Associated Companies) included in Schedule 5-CostofCap-2, Line 102 and the associated amortization of issuance cost recorded in FERC Account No. 428 included in Schedule 5-CostofCap-3, Line 109. The debt was not used to fund capital investment in transmission rate base. In addition, it is being recovered through separate fixed recovery charges authorized by the CPUC.

- <u>FERC Account No. 181</u>: Certain underwriting fees booked in (Unamortized Debt Expenses) included in Schedule 5-CostofCap-2, Line 106 and Schedule 5-CostofCap-3, Line 105 and the amortization of these fees booked in FERC Account No. 428 (Amortization of Debt Discount and Expenses) in Schedule 5-CostofCap-3, Line 109. The underwriting fees are related to long-term debt issued for PG&E's upfront contribution to the California Wildfire Fund.

As of the time of this filing, the Commission had not yet acted on PG&E's Waiver Request. Thus, PG&E is including with this filing two versions of the Rate Year 2024 Annual Update.

1. <u>Version 1</u>: The current TO20 Formula Rate Model that does not reflect the adjustments proposed in the Waiver Request. This version is enclosed with this filing as Attachment A (PDF) and Attachment B (Excel).

2. <u>Version 2</u>: The TO20 Formula Rate Model adjusted to reflect the input changes proposed in the Waiver Request. This version is enclosed with this filing as Attachment C (PDF) and Attachment D (Excel).

If the Commission has not acted on the Waiver Request by December 14, 2023, or rejects the Waiver request, PG&E will use Version 1 for rates to go into effect on January 1, 2024. If the Commission approves the Waiver Request by December 14, 2023, PG&E will use Version 2 for rates to go into effect on January 1, 2024.

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[14] PG&E's request is described in detail in the Waiver Request. PG&E is providing an overview here, but additional details are provided in the Waiver Request.

IV. TRANSMISSION REVENUE BALANCING ACCOUNT ADJUSTMENT

On September 29, 2023, PG&E made its annual Transmission Revenue Balancing Account Adjustment (TRBAA) filing in Docket No. ER23-2968-000, as amended on by errata filing on October 10, 2023, to update the TRBAA for rates to be effective on January 1, 2024, as required by PG&E's TO Tariff. On November 30, 2023, the Commission issued Order accepting Revisions to Transmission Owner Balancing Accounts effective January 1, 2024, as requested.[15]

V. DOCUMENTS SUBMITTED WITH THIS FILING

This filing consists of the following documents:

1) This Annual Update transmittal letter;

2) Attachment A: The PDF version of the populated TO20 Formula Rate Model without the proposed adjustments in the Waiver Request as explained in Section III;

3) Attachment B: The Excel® version of the populated TO20 Formula Rate Model without the proposed adjustments in the Waiver Request as explained in Section III;

4) Attachment C: The PDF version of the populated TO20 Formula Rate Model including the proposed adjustments in the Waiver Request as explained in Section III;

5) Attachment D: The Excel® version of the populated TO20 Formula Rate Model including the proposed adjustments in the Waiver Request as explained in Section III;

6) Attachments E-01 to E-03: The Excel® version of the corrected populated Formula Rate Models and specific workpapers for Rate Year 2022 showing the calculation of ATA resulted from the adjustments in Section II.E.

7) Attachments F-01 to F-04: The Excel® version of the corrected populated Formula Rate Models and specific workpapers for Rate Year 2023 showing the calculation of ATA resulted from the adjustments in Section II.E.

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[15] 185 FERC ¶ 61,155 (2023).

VI. POSTING AND SERVICE

Copies of this filing have been served on all parties designated on the official service list in this proceeding, as well as the California Independent System Operator Corporation and the CPUC. Electronic copies of this filing will be posted and available at www.pge.com.

VII. CORRESPONDENCE

PG&E requests that all correspondence, pleadings, and other communications concerning this filing be served upon the following:

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VIII. CONCLUSION

PG&E respectfully requests that the Commission issue a notice of filing for the Rate Year 2024 Annual Update and establish a comment date.

Respectfully submitted,

/s/ Charles R. Middlekauff

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Attachments and Enclosures

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused a copy of the foregoing document to be served upon all the parties designated on the official service list in this proceeding pursuant to 18 C.F.R. § 385.2010 of the Commission's Rules of Practice and Procedure and the additional parties listed below:

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Dated at San Francisco, California, this 1st day of December, 2023.

/s/ Ollen Erich Hunt

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