

Summary Description of Rate Year 2025 Draft Annual Update

Pacific Gas and Electric Company (PG&E) provides for informational purposes its draft Annual Update (Draft Annual Update) pursuant to Sections 4.2 and 4.3 of Attachment 1 in Appendix VIII (Protocols) of PG&E's Transmission Owner (TO) Tariff. The Model and supporting Workpapers with all formulas and inputs intact have been posted on PG&E's website (www.pge.com).

The Draft Annual Update revises PG&E's retail and wholesale Base Transmission Revenue Requirement (Base TRR) and associated retail and wholesale transmission rates. The draft Model and Workpapers have been posted on PG&E's website and are available for review. PG&E provided the live link to the draft Model and Workpapers, in native format with all formulas and links intact, in an e-mail notifying the Notification List of this draft Annual Update.

Pursuant to Section 4.2 of the Protocols, on April 19, 2024, PG&E provided to the Interested Parties a copy of the 2023 Federal Energy Regulatory Commission (FERC) FERC Form 1 (FF1). On May 22, 2024, PG&E subsequently filed a revised FF1 with FERC and on May 29, 2024, PG&E provided an email to the Interested Parties with a copy of the revised FF1.

I. BACKGROUND

PG&E filed its twenty-first TO (TO21) Formula Rate with FERC on October 13, 2023. FERC accepted the TO21 Formula Rate in part, subject to refund and settlement and hearing procedures, to be effective January 1, 2024.¹ This Draft Annual Update is being provided to the Notification List consistent with the requirements in Section 4.2 of the Protocols for Rate Year 2025.

II. SUMMARY OF THE DRAFT ANNUAL UPDATE

The Rate Year (Rate Year or RY) 2025 Base TRR includes four key elements: (1) the Prior Year TRR; (2) Rate Year Self-Insurance; (3) the Incremental TRR (ITRR); and (4) Annual True-Up Adjustment (ATA):

- Prior Year TRR: The Prior Year TRR represents actual costs of service that PG&E incurred in the year prior to the filing year using the recorded end of year cost of service from the most recent FF1, supplemented by PG&E records as needed. In this Draft Annual Update, the Prior Year TRR 2023 is \$2,744 million representing an increase of \$252 million compared to the Prior Year TRR 2022.

¹ *Pacific Gas and Electric Company*, 185 FERC ¶ 61,243 (2023).

- Rate Year Wildfire Self-Insurance: The Rate Year Wildfire Self-Insurance represents the initial and replenishment funding for the Wildfire Self-Insurance Program during the rate year and the associated taxes and fees. In this Draft Annual Update, the Rate Year Self-Insurance RY2025 represents a decrease of \$1 million compared to the RY2024.
- ITRR: The ITRR represents the additional costs that PG&E forecasts to incur during the period when rates will be in effect, over and above the amount included in the Prior Year TRR. The ITRR is based on the forecast of incremental net plant (cumulative additions to plant, less depreciation) that is expected to be in service by the end of the Rate Year. In this Draft Annual Update, the ITRR for capital additions forecasted to be operative by December 31, 2025, is \$398 million representing an increase of \$49 million compared to the current Rate Year 2024 ITRR.²
- ATA: The ATA is the difference between actual transmission costs incurred in the Prior Year and actual transmission revenues received during that same period. Because the ATA includes any unrecovered and over-recovered revenues from the prior period, plus interest, it ensures that the Formula Rate calculates the actual cost of providing service. In this Draft Annual Update, the ATA for Prior Year 2023 is an under-collection of \$4.5 million compared to an over-collection of \$175.7 million for Prior Year 2022.

The resulting Rate Year 2025 Retail Base TRR of \$3,272 million is an increase from Rate Year 2024 Retail Base TRR of \$2,786 million. This represents a 17.4% increase from Rate Year 2024 to Rate Year 2025.

III. PROTOCOL REQUIREMENTS

The Protocols include a number of requirements for information to be included in the Draft Annual Update. The required information is provided below.

A. Identify all methodological changes to inputs (Section 4.3.1(1))

There are no methodological changes to inputs in the Formula Rate Model.

B. Identify any changes to the sources of information from FERC Form 1 or where/how information was obtained from PG&E's records from the description in the Model (Section 4.3.1(2))

There are no changes to the sources of information from FF1 or PG&E's records from the description on the Model. However, PG&E identified an incorrect general ledger

² The 2024 and 2025 capital expenditures forecast provided in this Draft Annual Update posting is based on a snapshot for the Electric Transmission portfolio from March 2024.

(GL) number citation for Accrued Vacation Liability in Note 1 of Schedule 16-
UnfundedReserves. The correct GL number for Accrued Vacation Liability is 2320024.
The Accrued Vacation Liability balances have been extracted correctly in the TO21
Formula Rate Model.

- C. Include all workpapers from which a Formula Rate input is taken, in native format, and with all data used (Section 4.3.1(3))**

Workpapers are being provided with the Draft Annual Update.

- D. Include a workable, data-populated Model in native format with all formulas and links intact (Section 4.3.1(4))**

A populated version of the Model with all formulas and links intact is being provided with the Draft Annual Update.

- E. Provide the following information related to affiliate cost allocations (Section 4.3.1(5)):**

- 1. a detailed description of the methodologies used to allocate and directly assign costs between PG&E and its affiliates by service category or function, including any changes to such cost allocation methodologies from the Prior Year and the reasons for those changes**

There are no changes to the methodologies used to allocate and directly assigned costs between PG&E and its affiliates.

- 2. the magnitude of such costs that have been allocated or directly assigned between PG&E and each affiliate by service category or function**

Not applicable since there were no changes in the methodologies used for allocation or direct assignment.

- F. Identify any change in accounting relative to the Prior Year that affects inputs to the Formula Rate or the resulting charges billed under the Formula Rate including the following. To the extent these accounting changes affect PG&E's inputs to its Formula Rate, PG&E shall provide a narrative explanation of the individual impact of those items on charges billed under the Formula Rate (Section 4.3.1(6)):**

- 1. the initial implementation date of a new or revised accounting standard or policy**

See F.2 below.

2. the initial implementation date of new or revised accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction

In Prior Year 2023, the following changes were identified: (1) reclassification of Rent Expense from FERC Account 923, Outside Services to Account 931, Rents in 2023; (2) San Francisco General Office (SFGO) gain on sale refund to customers in 2024. Transmission customer rates are unaffected because FERC Accounts 923 and 931 are both allocated to transmission customers using labor factor allocators.

3. correction of Errors and prior period adjustments, including prior period accounting adjustments to correct Errors that impact the inputs to the Formula Rate in the Rate Year

The following prior period adjustments and errors have been identified:

1. Underwriting Fees and Cost of Long-Term Debt

On May 23, 2024, FERC issued an order reaffirming its earlier denial of PG&E's request for waiver to exclude certain securitized long-term debt cost inputs as well as underwriting fees certain inputs from its twentieth Transmission Owner (TO20) Formula Rate.³ PG&E had already included the securitized debt at issue in the Waiver Decision in the TO20 True-up for Rate Year 2024. For the Rate Year 2025 Draft Annual Update, PG&E has updated for Prior Year 2021, Schedule 5-CostofCap-2, Line 106 and Schedule 5-CostofCap-3, Line 105 and 109 to include the underwriting fees that had previously been excluded. As a result, the cost of debt increased by 0.00764%. The resulting increase in the 2021 True-up TRR including interest is reflected in the TO20 Formula rate Model for the 2023 true-up calculation (*see* Schedule 4-ATA, Line 201, Column 5 and 8). The Annual True-up Adjustment on Schedule 4-ATA, Line 400 from the TO20 Formula Rate Model for 2023 true-up calculation is carried over to TO21 RY2025 (*see* Schedule 4-ATA, Line 403).

2. Accumulated Deferred Income Taxes (ADIT) Rate Base Related to Unfunded Reserves

During Draft Annual Update preparation, PG&E identified that the deferred tax impact from unfunded reserves for injuries and damages and severance (unfunded reserves ADIT) was erroneously included in determining the ADIT for Prior Years 2021 and 2022 on Schedule 14-ADIT, Line 209, Column 4.⁴ As a result of removing the unfunded reserves ADIT, the weighted ADIT for the true-up TRR decreased by \$11.1 million and \$11.4

³ *Pacific Gas and Electric Company*, 187 FERC ¶ 61,090 (2024) (Waiver Decision).

⁴ *See* Section IV.B below for additional details.

million for Prior Years 2021 and 2022, respectively. The reduction of 2021 and 2022 True-up TRR including interest was reflected in the TO20 Formula Rate Model for 2023 true-up calculation (*see* Schedule 4-ATA, Line 201, Column 5 and 8). The Annual True-up Adjustment on Schedule 4-ATA, Line 400 from the TO20 Formula Rate Model for 2023 true-up calculation is carried over to the TO21 RY2025 (*see* Schedule 4-ATA, Line 403).

3. Functional Plant Related Rate Base

During Draft Annual Update preparation, PG&E also identified certain adjustments reducing both Plant and Accumulated Depreciation monthly amounts that were not made for the months from January through November 2022 in the TO20-RY2024 Model, Schedules 7-PlantInService and 10-AccDep. The adjustments remove Direct Connects and the non-CAISO controlled allocation for Unidentified Locations for non-Substation assets. Both of these adjustments are for non-Network Transmission assets and thus, in total, reduce monthly Network Transmission Plant and Accumulated Depreciation amounts for January through November 2022.

As a result, the 13-month average Total Network Transmission Plant on Schedule 7-PlantInService, Line 113, Column 13, has decreased by \$49 million from \$15,256 million to \$15,207 million and the 13-month average Total Accumulated Depreciation for Network Transmission Assets on Schedule 10-AccDep, Line 113, Column 13 has decreased by \$11 million from \$3,573 million to \$3,562 million. In total, these adjustments result in a net decrease of \$37.7 million in rate base. The reduction of 2022 True-up TRR including interest was reflected in the TO20 Formula Rate Model for the 2023 true-up calculation (*see* Schedule 4-ATA, Line 201, Column 5 and 8). The Annual True-up Adjustment on Schedule 4-ATA, Line 400 from the TO20 Formula Rate Model for 2023 true-up calculation is carried over to the TO21 RY2025 (*see* Schedule 4-ATA, Line 403).

4. Revenue credits

In response to a TO21 Settlement data request, PG&E noted, for Prior Year 2022, that total of \$125,704 of \$1,134,942 should be reflected as a credit to customers on Schedule 20-RevenueCredits, Line 607, Col 5 and 6 since it related to Network Transmission. The reduction of 2022 True-up TRR including interest was reflected in the TO20 Formula Rate Model for 2023 true-up calculation (*see* Schedule 4-ATA, Line 201, Column 5 and 8). The Annual True-up Adjustment on Schedule 4-ATA, Line 400 from the TO20 model for 2023 true up calculation is carried over to the TO21 RY2025 (*see* Schedule 4-ATA, Line 403).

5. Rate Year 2022 Annual True-up Adjustments (ATA)

At the time of filing the TO21, PG&E included the RY2022 ATA in TO21 Rate Year 2024 using the information provided in the draft TO20 RY2024 model. The RY2022 ATA calculation was based on True-up TRR of \$2,678,175,685. The True-up TRR per the final

TO20 RY2024 filing submitted to FERC on December 1, 2023, was \$2,679,125,058. The increase in the final True-up TRR of \$949,373 including interest was reflected in the 2023 true up calculation using the TO20 Formula Rate Model reflected in this draft annual update on Schedule 4-ATA, Line 201, Column 5 and 8. The Annual True-up Adjustment on Schedule 4-ATA, Line 400 from the TO20 model for 2023 true up calculation is carried over to the TO21 RY2025 (*see* Schedule 4-ATA, Line 403).

Table 1: Summary Table for Prior Year Adjustments TRR Impact as of December 2022

Issue	Prior Year Impacted	Incremental Increase (Decrease) of True-up TRR as of December 2022 in \$ million	
		Principal	Interest
Cost of Debt	2021	\$0.7	
Unfunded Reserves ADIT	2021	(\$1.0)	
Total for 2021		(\$0.3)	(\$0.0)
Functional Plant Related Rate Base	2022	(3.4)	
Unfunded Reserves ADIT	2022	(\$1.2)	
Revenue Credit	2022	(\$0.1)	
2022 ATA	2022	\$0.9	
Total for 2022		(\$3.8)	(\$0.1)
Grand Total⁵		(\$4.1)	(\$0.1)

4. the implementation of new estimation methods or policies that change prior estimates

Not applicable.

5. changes to income tax elections and accounting entries as a result of an amended income tax return

Not applicable.

⁵ The grand total is shown on TO20 Formula Rate Model for 2023 true up calculation (*see* Schedule 4-ATA, Line 201, Column 5 and 8).

6. changes to FERC Form 1 reporting practices for financial or operational data that impact the inputs to the Formula Rate

There were no changes to reporting practices. Please refer to the statement at the beginning of this document regarding PG&E’s reissuance of FF1.

G. Identify all reorganization, merger, or sale of transmission asset transactions during the previous year (Section 4.3.1(7))

There were no reorganizations, mergers, or sales of transmission asset transactions during the previous year that impact TO rate base.

H. Identify any known Errors or adjustments in FERC Form 1 data used in the Model (Section 4.3.1(8))

1. FERC Account 930.2

FERC Account 930.2 records miscellaneous general expenses not specifically provided for elsewhere. Activity recorded to FERC Account 930.2 includes, but is not limited to, bank fees, certain rewards and recognition (R&R) awards and clearing items, which consist of (1) capital and other balance sheet activity that clears monthly to the appropriate balance sheet accounts, and (2) other activity that clears to appropriate expense accounts. PG&E only includes in the TO Formula Rate for Account 930.2 certain bank fees not already recovered through PG&E’s procurement accounts, and the R&R award.

In 2023, PG&E determined that some activity settled to Account 930.2 that should have settled to other FERC accounts. This error occurred because incorrect cost elements were inadvertently used to record these costs. The costs should have been charged to trace cost elements so that the costs would settle in accordance with the order regulatory category. This incorrect charging resulted in postings to FERC Account 930.2 of (\$1M) on a total Company basis. Please see Table 2 below for the amounts that should have cleared to different FERC accounts:

Table 2: Amounts Included In Account 930.2 That Should Be Recorded in Other Accounts

FERC Account	2023 Recorded Amount (\$)
588	473,865
923	1,237,971
426.5	6,297,546
566	(77,198)

FERC Account	2023 Recorded Amount (\$)
571	(8,907,722)
Total	(975,538)

PG&E made regulatory adjustments in the TO21 Formula Rate Model to correct the FF1 Account 566, 571, 923 and 930.2 balances.

2. FERC Accounts 571 and 920

The City of Santa Clara d/b/a Silicon Valley Power (SVP) owns the Grizzly Tap Line which was damaged in the Dixie Fire. To resolve a dispute of claims between PG&E and SVP regarding the damages, a Settlement Agreement was executed and approved by the Bankruptcy Court on January 4, 2023. Pursuant to the Settlement Agreement, PG&E is responsible for a portion of the Grizzly Tap Line Repair costs up to \$7.5 million. This expense work is recorded to FERC Account 925 as a Third Party Claims cost. In 2023, some of the Grizzly Tap Line Repair costs were incorrectly recorded to the FERC Accounts indicated in Table 3:

Table 3: Accounts That Included Grizzly Tap Line Repair Costs

FERC Account	2023 Recorded Amount (\$)
571	279,179
920	106,276
Total	385,454

PG&E made regulatory adjustments in the TO21 Formula Rate Model to correct the FF1 Accounts 571 and 920 balances.

I. Identify items included in the Formula Rate at an amount other than on a historical cost basis (e.g., fair value adjustments) (Section 4.3.1(9))

There are no fair value adjustments to any components in the Formula Rate.

IV. ADDITIONAL ISSUES

A. Citizens Energy Corporation

In Exhibit No. PGE-0011 of TO21 filing in Docket No. ER24-96-000, PG&E witness, Susan Skillman, provided a list of the projects expected to be part of the 2024 lease

agreement with Citizens Energy Corporation (Citizens). The expected Citizens-leased portions of these project costs were excluded from the TO21 Formula Rate for Rate Year 2024. At the time TO21 was prepared, the Citizens transaction had not been finalized or executed.

After TO21 was filed at FERC on October 13, 2023, PG&E and Citizens entered into the Development, Coordination, and Option Agreement (DCOA) on February 20, 2024. The DCOA provides for up to five separate options for Citizens to lease entitlements to identified PG&E transmission projects. The DCOA also includes eligibility criteria regarding project selection for the options.

In March 2024, PG&E filed an application at the California Public Utilities Commission (CPUC) under Public Utilities Code Section 851 for authorization to lease entitlements to Citizens under the DCOA.⁶ The Application is pending before the CPUC. In its testimony supporting the Application (CPUC Prepared Testimony)⁷, PG&E provided a proposed project list for Option Period 1.⁸ The list of projects in the CPUC Prepared Testimony differed from the projects identified in Exhibit No. PGE-0011 of the TO21 filing. In addition, as the CPUC Prepared Testimony indicates, that list of potential projects may be modified.⁹ PG&E has not yet identified project lists for Option Periods 2-5.

PG&E has removed from rate base for Rate Year 2025, the Citizens-leased portions of the proposed project list for Option Period 1 that is included in the CPUC prepared Testimony. Consistent with the DCOA, the amount removed from rate base is 45.3% of forecasted capital expenditures and Construction Work in Progress (CWIP). In addition, projects initially identified in the TO21 filing as part of the Citizens lease agreement that subsequently were not included in the CPUC Prepared Testimony have been included in the Capital Additions forecast in RY2025 Draft Annual Update to the extent that the financials for those projects meet the forecasting criteria for inclusion in the capital additions workpaper.

B. Unfunded Reserves Deferred Tax Asset Adjustment

In PG&E's TO21 rate case filing for the Rate Year 2023 and Rate Year 2024 Formula Rate Models, a deferred tax asset adjustment for Unfunded Reserves for Injuries and Damages and Severance was erroneously included on Model Schedule 14-ADIT, Line 206, Column 4, respectively. Items from Schedule 14-ADIT are factored into rate base,

⁶ *Application of Pacific Gas and Electric Company for Approval under Public Utilities Code Section 851 to Lease Entitlements to Transmission Projects to Citizens Energy Corporation* filed March 12, 2024 (Application). The Application is available on the CPUC's website at [Proceeding - Documents \(ca.gov\)](#)

⁷ *Prepared Testimony of Pacific Gas and Electric Company* submitted March 12, 2024.

⁸ Prepared Testimony at 2-9, Table 2-1.

⁹ Prepared Testimony at 2-8, lines 12-15.

which impacts revenue requirements. The correction for the erroneous rate base deferred tax assets for the impacted rate years are shown in the table below. For Rate Year 2025, no deferred tax asset adjustment for Unfunded Reserves for Injuries and Damages and Severance will be included in Schedule 14-ADIT.

Table 4: Unfunded Reserve DTA Included in Prior Rate Year Cases

Model and Prior Year (PY) Impacted	Filing	Rate Base Amount	Correction Method
TO20 PY2021	TO20 RY 2023	\$24,032,662	TO21 RY 2025 True-Up for 2021
TO20 PY2022	TO21 RY 2024	\$28,921,623	TO21 RY 2025 True-Up for 2022
TO21 PY2022	TO21 RY 2024	\$30,039,638	TO21 RY 2026 True-Up for 2024
TO21 PY2023	TO21 RY 2025	N/A	N/A – not included

Data source: Model Schedule 14-ADIT, Line 206, Column 4

C. Tax Ratemaking Net Operating Loss Adjustment

During TO21 settlement discovery, PG&E determined that it had erroneously included shareholder related amounts in its ratemaking tax net operating losses (NOL) in the Account 190 section of Model Schedule 14-ADIT for 2019 through 2022. The inclusion of cumulative tax NOLs arising from federal tax depreciation in rate base is required by the Internal Revenue Code (IRC) Normalization rules. However, shareholder related activities should not be factored into the TO21 Formula Rate. PG&E has included a cumulative correction for the prior year erroneous inclusions in the Draft Annual Update for Rate Year 2025, which is reflected in the cumulative total 2023 tax NOL amount on Model Schedule 14-ADIT. The supporting documents for the Schedule 14-ADIT input will be provided with the tax workpapers (e.g., WP_14-ADIT_RY2025).

D. FERC Account for Wildfire Self-Insurance Balance At End of 2023

The contribution made for the Wildfire Self-Insurance Program as of December 31, 2023 was recorded in FERC Account 123.1 (Investment in Subsidiaries) instead of FERC Account 128 (Other Special Deposits). WP_30-WFSelfInsurance, Tab 3 shows activities in the insurance captive recorded in FERC Account 128. PG&E has filled out Tab 3 of WP_30-WFSelfInsurance for the contribution remitted to PG&E’s subsidiary, Pacific Energy Risk Solutions LLC and the investment income and fees incurred even though WP_30-WFSelfInsurance, Tab 3 referenced to FERC Account 128. The Deductible Reimbursement Policy (i.e. an insurance contract) which was considered as the trigger to

record the contribution in FERC Account 128 for book purposes was not executed until January 2024. Upon execution of the Deductible Reimbursement Policy, the balances were transferred to FERC Account 128.

E. TO20 Model for 2023 True-Up Calculation

Inputs that are not used in determining the 2023 True-Up Transmission Revenue Requirement and Annual True-Up Adjustment are intentionally left blank in the TO20 model for 2023 True-up calculation.

V. NEXT STEPS

- Within 15 business days of the posting of the Draft Annual Update:
 - PG&E will provide a report identifying any FERC Account reported on Schedules 18-OandM and 19-AandG that experience an increase or decrease of \$10 million or more over the same value reported in the previous Annual Update; and
 - A narrative discussion of the reasons for any increase or decrease identified in Section 4.3.2(1) and an explanation as to how the increase or decrease impacts the inputs to Schedules 18 and 19.
- Information Request Period begins from 6/17 through 12/1.
- PG&E will schedule a one day technical conference between July 7 and July 23 and provide email notice to the interested parties 15 days prior to the date of the technical conference.
 - Interested parties may provide a list of topics they would like to address at the technical conference at least 7 business days before the technical conference. PG&E will make best efforts to address these topics at the technical conference.