Pacific Gas and
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December 1, 2020

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 2021 (RY2021)

Dear Ms. Bose:

Pacific Gas and Electric Company ("PG&E") hereby submits for informational purposes its Annual Update for Rate Year 2021 ("RY2021" or "Rate Year 2021") 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 RY2021 Annual Update revises PG&E's retail and wholesale Base Transmission Revenue Requirements ("TRR"), and associated retail and wholesale transmission rates, effective January 1, 2021.

Pursuant to the Formula Rate set forth in Appendix VIII of PG&E's TO Tariff (the "Formula Rate"), this Annual Update filing reduces the retail Base TRR from the currently effective amount of $2,249 million to $2,214 million and reduces the wholesale Base TRR from $2,236 million to $2,202 million.

Consistent with the Formula Rate 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 FPA."[1] This filing is an informational filing. PG&E requests that the Commission issue a notice of this filing and establish a comment date. As explained in more detail below, this filing uses the Model that was submitted to the Commission with the unopposed *Offer of Settlement and Stipulation* ("Settlement"), which PG&E filed on October 15, 2020 in Docket Nos. ER19-13-000, ER19-1816-000, and ER20-2265-000 (consolidated)(the "Formula Rate Proceedings") and is in accordance with the October 28, 2020 Order of Chief Judge Granting Motion for Interim Implementation of Settlement Rates.[2]

I. Background

On October 1, 2018, in Docket No. ER19-13-000, PG&E submitted its Formula Rate, consisting of the Protocols and the Model to the Commission.[3] Various entities intervened and/or protested the filing. The Commission accepted PG&E's Formula Rate on November 30, 2018, subject to refund, and established hearing and settlement judge procedures.[4] That order made the rates effective as of May 1, 2019. In addition, according to the Formula Rate Protocols, PG&E is required to submit an Annual Update informational filing by December 1st of each year for the rates that will take effect on January 1 of the following year. On November 26, 2019, PG&E made its Annual Update filing for the rates that became effective January 1, 2020 ("Rate Year 2020" or "RY2020 filing").

On March 31, 2020, PG&E filed an unopposed *Offer of Partial Settlement and Stipulation* ("Partial Settlement") in Docket Nos. ER19-13-000 and ER19-1816-000 that resolved certain issues related to the Model and Protocols. On August 17, 2020, the Commission approved the Partial Settlement.[5] On October 15, 2020, PG&E filed the Settlement that resolved all remaining issues in the Formula Rate Proceedings. The Settlement filing included a revised Formula Rate Model that, if approved by the Commission, will be used to calculate rates.

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

[2] *Order of Chief Judge Granting Motion for Interim Implementation of Settlement Rates*, 173 FERC ¶ 63,010 (2020) ("Interim Rate Order").

[3] Appendix VIII, of PG&E's TO Tariff, FERC Electric Tariff Volume No. 5, Attachment 1 (Protocols) and Attachment 2 (Model).

[4] *Pacific Gas and Electric Company*, 165 FERC ¶ 61,194 (2018).

[5] *Pacific Gas and Electric Company*, 172 FERC ¶ 61,142 (2020).

Also, on October 15, 2020, PG&E filed an unopposed *Motion for Interim Implementation of Settlement Rates* ("Interim Rate Motion") that requested authorization to implement the Formula Rate Model included in the Settlement effective January 1, 2021 and subsequent years until the Commission issues an order addressing the pending Settlement. On October 28, 2020, the Chief Administrative Law Judge issued an order granting the Interim Rate Motion.[6]

II. PG&E's Formula Transmission Rate

In PG&E's Formula Rate, the Base TRR is calculated as the sum of the Prior Year TRR, the Incremental TRR ("ITRR") during the Rate Year, and a True-Up Adjustment. The Prior Year TRR represents the transmission costs that PG&E incurred in the previous calendar year, in this instance, year 2019. The ITRR represents the incremental transmission costs that PG&E expects to incur during the Rate Year, in this instance, 2021. The True-Up Adjustment trues up actual transmission revenues to actual transmission costs during the Prior Year. Because the implementation of the Formula Rate Model was authorized to be effective May 1, 2019, the true-up in this filing is a partial year true-up for the period from May 1 to December 31, 2019.

III. Explanation of Significant Changes in Rate Year 2021

As a result of the Partial Settlement and the Settlement, there have been a number of changes in the Formula Rate Model that were previously used to calculate rates for Rate Year 2019 and Rate Year 2020. In this section of the Informational Filing, PG&E provides a summary of these changes.

A. Rate Base Reconciliation

Section 6.6 of the Partial Settlement provides:

> PG&E will update its rate base for the first Annual True-up Adjustment filing i.e., which will occur on December 1, 2020 for the 2019 Rate Year) to remove, for cost recovery purposes, any facilities that are not under the California System Operator Corporation's ("CAISO") operational control or to add facilities that are under the CAISO's operational control. PG&E will include in this filing an explanation for each rate base adjustment. On a good faith efforts basis, PG&E will update its rate base for the draft Annual Update posting on July 1, 2020 and will include an explanation of each rate base adjustment in that draft Annual Update. PG&E will include in the draft

[6] Interim Rate Order at P 4.

> Annual Update an explanation for each rate base adjustment. This will reflect the best available information as of May 1, 2020.

To implement this provision, PG&E undertook an effort to compare its rate base records with the CAISO Register (which designates the facilities under the CAISO's operational control) and to reconcile any differences in the following plant categories: Electric Transmission Lines, Electric Substations, Generation Interconnection, and Direct Connect.[7] A more detailed explanation of this effort and the results is included in Attachment A. In addition, PG&E will, upon request, make available to interested stakeholders workpapers developed during the reconciliation process and is willing to schedule a technical conference to address any stakeholder questions on the reconciliation.

B. Partial Settlement and Settlement Changes

The Partial Settlement and Settlement both included a number of substantive and non-substantive (*e.g.,* labeling, line numbering, etc.) changes to the Formula Rate Model. Some of the substantive changes include an all-in Return on Equity ("ROE") of 10.45%, agreed-to depreciation rates, a fixed capital structure, cash working capital, and the allocation factor for General Liability Insurance and Injuries & Damages. All of these changes impacted the retail and wholesale Base TRRs and are reflected in the Formula Rate Models attached to this informational filing.

C. Updated Annual Information and Capital Additions Forecast

In addition to changes to the Formula Rate Model resulting from the Partial Settlement and Settlement, there are also changes in the inputs to the Formula Rate Model as a result of normal operation of the Annual Update process such as using recorded prior year information from 2019 FERC Form in operations and maintenance ("O&M") expenses, administrative and general ("A&G") expenses, taxes, changes to rate base, depreciation, the Annual True-up Adjustment, and other miscellaneous Prior Year TRR components.

The ITRR component of the Base TRR reflects the Rate Year 2021 capital additions forecast for the transmission projects that are expected to be operative by December 31, 2021. An increase in the Rate Year 2021 capital expenditures for 2021 compared to the Rate Year 2020 forecast is largely driven by Transmission Line Preventative programs

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7 PG&E's TRR also includes costs associated with facilities that are not under the CAISO's operational control, but which the Commission has approved for the inclusion in TO Tariff rates, such as Common, General and Intangible ("CGI") plant which can be either directly assigned or allocated to transmission rates.

which include the repair and replacement of overhead conductors and devices in Major Work Category ("MWC") 93 and the Replacement of Poles and Structures programs in MWC 70. To a lesser extent, increases to the System Protection program in MWC 3F and the Transmission Technology programs in MWC 63 also contribute to the increase. There is also an increase in year 2020 from Rate Year 2020 to Rate Year 2021. While most programs have a modest increase in the 2020 forecast, the drivers are in the programs mentioned above and in the Substation Capacity program in MWC 61 and the Substation Replacement program in MWC 66. Taken together the increase in the RY 2021 capital expenditures forecast is primarily a result of PG&E's wildfire mitigation plan commitments and the refinement of its investment planning process during 2020, including the introduction of the Circuit Based Plan ("CBP") and the evolution of Loading Order and the Circuit Ranking risk and prioritization methodology.

D. Changes Resulting from PG&E's Plan of Reorganization and the Wildfire Order Instituting Investigation Settlement

PG&E filed for Chapter 11 bankruptcy on January 29, 2019. On June 20, 2020, the United States Bankruptcy Court, Northern District of California confirmed PG&E's Plan of Reorganization ("POR") and PG&E emerged from Chapter 11 bankruptcy on July 1, 2020. The POR includes several elements that impact PG&E's retail and wholesale Base TRR for Rate Year 2021. The California Public Utilities Commission ("CPUC") also reviewed PG&E's POR and imposed additional conditions.[8]

In addition, in 2019, the CPUC initiated the Wildfire Order Instituting Investigation ("Wildfire OII") to address issues related to the 2017 North Bay Fires and 2018 Camp Fire.[9] On May 7, 2020, the CPUC revised and approved a settlement in that proceeding.[10] Some of the elements of the Wildfire OII settlement also impact the PG&E's retail and wholesale Base TRR for Rate Year 2021.

In Table 1 below, PG&E provides a summary of costs that it is not seeking to recover as a result of the POR and the Wildfire OII settlement:

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[8] *See* CPUC Decision 20-05-053 (2020) ("POR Decision").

[9] The "2017 North Bay Fires" refers to wildfires that began on October 8, 2017 and spread through the following counties in Northern California: Napa, Sonoma, Butte, Humboldt, Mendocino, Lake, Nevada, and Yuba. The "2018 Camp Fire" refers to a wildfire that began on November 8, 2018 near the city of Paradise, Butte County, California.

[10] *See* CPUC Decision 20-05-019 (2020) ("Wildfire OII Decision").

Table 1
Amounts Removed from RY 2021 Annual Update Filing Formula Rate Model

Item Description	Amount	Regulatory Decision	FERC Account #
Transmission Safety Inspections Expense (excludes repairs) (recovered at FERC)	$225,000,000	CPUC Wildfire OII Decision	563, 566, 570, 571
Transmission Safety Repairs Expense (recovered at FERC)	$205,000,000	CPUC Wildfire OII Decision	566, 570, 571
Additional Cost Recovery Shortfalls	$20,474,082	CPUC Wildfire OII Decision	566, 570, 571
Professional fees related to the bankruptcy proceeding	$289,426,911	CPUC POR Decision	923

In addition, PG&E has voluntarily chosen not to seek recovery of certain professional fees incurred during bankruptcy related to the 2017 North Bay Fires and the 2018 Camp Fire. The amount not sought totals $154,752,110 and would normally be included in FERC Account 923. The removal of these costs is reflected in Schedule 19-AandG, Line 107, Column 6. This voluntary decision is for Rate Year 2021 only and may not apply in subsequent years.

IV. Standby Customer and Transmission Revenue Balancing Account Adjustment Filings Requiring Alternative Versions of the Formula Rate Model

On October 16, 2020, in accordance with Section 6.4.2 of the Partial Settlement, PG&E filed Docket No. ER21-148-000, pursuant to Section 205(d) of the Federal Power Act, updating its diversity load study to determine the allocation factor to be used in the calculation of rates for the Standby Customer class in the Formula Rate Model effective January 1, 2021 ("Standby Customer Filing").

If the Commission issues an order on the Standby Customer Filing making the proposed allocation factor effective January 1, 2021, as requested in PG&E's filing, then PG&E will use the version of the Formula Rate Model that includes the proposed allocation factor. If the Commission does not accept PG&E's filing with a January 1, 2021 effective date, PG&E will use the version of the Formula Rate Model containing the Partial Settlement allocation factor or will otherwise revise the Formula Rate Model consistent with the Commission's order.

In addition, on October 16, 2020, PG&E made its annual filing, in Docket No. ER21-131-000, to update the Transmission Revenue Balancing Account Adjustment for rates to be effective on January 1, 2021as required by PG&E's TO Tariff ("2021 TRBAA Filing").[11] If the Commission issues an order approving the 2021 TRBAA Filing, the retail and wholesale 2021 TRBAA revenue requirements will be used to set rates for January 1, 2021. If the Commission does not approve the 2021 TRBAA Filing before January 1, 2021, the current TRBAA revenue requirements will be used to set rates for January 1, 2021.

PG&E is providing four versions of the Formula Rate Model and rates to address the possible rate outcome due to these pending rate filings. Table 2 below illustrates the possible rate outcomes and the version of the Formula Rate Model and Rates that would apply.

[11] On November 12, 2020, PG&E submitted an errata filing to the TRBAA Filing that corrected data entry errors.

Table 2
Summary of Models Submitted by PG&E

	Commission Approves 2021 TRBAA Filing for Rates Effective 1/1/2020	Commission Does Not Approve 2021 TRBAA Filing for Rates Effective 1/1/2020
Commission Approves Standby Customer Filing for Rates Effective 1/1/2020	Formula Rate Model and Rates in Attachment B	Formula Rate Model and Rates in Attachment D
Commission Does Not Approve Standby Customer Filing for Rates Effective 1/1/2020	Formula Rate Model and Rates in Attachment C	Formula Rate Model and Rates in Attachment E

V. Calculation of the Remaining Excess Unprotected Accumulated Deferred Income Tax Consistent with the Terms of the Commission-Approved Settlement in Docket No. ER17-2154-000

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").[12] Section 2.1 of the TO19 Settlement provides for a process of flowing back the remaining excess Allowance for Differed Income Tax ("ADIT") in PG&E's next TO Tariff rate case ("TO20").[13] Pursuant to Section 2.2.1.1 of the TO19 Settlement, the parties agreed that PG&E's flow back of the excess ADIT should be $14.695 million per year unless certain conditions exist related to PG&E's credit rating.[14] As of November 15, 2020, S&P credit ratings for both PG&E Corporation and PG&E are

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

[13] On February 21, 2019, the Commission granted PG&E's motion to dismiss in Docket No. EL18-108-000, the order to show cause proceeding regarding the effect to the Tax Cuts and Jobs Act of 2017 on PG&E's transmission rates, as this matter being resolved per the terms of the TO19 approved-settlement.

[14] 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.

at or above the threshold (*i.e.*, BB+ or lower) requiring the flow back of the excess ADIT at $14.695 million per year. Accordingly, pursuant to Section 2.2.1.3 of the TO19 Settlement, beginning January 1, 2021, PG&E's flow back of the remaining excess unprotected ADIT will be $14.695 million per year. This revision is shown on Line 55 of Schedule 1-Base TRR.

VI. Draft Annual Update Process and Documents Submitted with this Filing

As required by the Protocols, PG&E posted the draft RY2021 Annual Update on July 1, 2020 and provided notice to the Notification List (Section 4.1). Also, consistent with the Protocols, PG&E conducted a Technical Conference on August 17, 2020 (Section 4.3) and responded to information requests (Section 4.4).

On November 9, 2020, pursuant to Section 4.5 of the Protocols, PG&E provided notice and an update of the draft Annual Update to the notification list that reflects certain corrections that were identified in PG&E's response to Information Requests, as well as revisions to the capital additions forecast based on a more recent capital expenditures forecast.

This filing consists of the following documents:

1) This filing letter;

2) Attachment A: Explanation and Results of PG&E's Reconciliation of Its Network Transmission Rate Base Records with the CAISO Register;

3) Attachment B: The populated formula transmission rate, in both PDF and Excel formats, showing the calculation of the RY2021 Base TRR and associated rates if the Commission accepts the 2021 TRBAA Filing and the Standby Customer Filing;

4) Attachment C: The populated formula transmission rate, in both PDF and Excel formats showing the calculation of the RY2021 Base TRR and associated rates if the Commission accepts the 2021 TRBAA Filing but does not accept the Standby Customer Filing;

5) Attachment D: The populated formula transmission rate, in both PDF and Excel formats showing the calculation of the RY2021 Base TRR and associated rates if the Commission does not accept the 2021 TRBAA Filing but accepts the Standby Customer Filing for rates;

6) Attachment E: The populated formula transmission rate, in both PDF and Excel formats showing the calculation of the RY2021 Base TRR and

associated rates if the Commission does not accept either the 2021 TRBAA Filing or the Standby Customer Filing.

VII. 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 California Public Utilities Commission. Electronic copies of this filing will be posted and available at www.pge.com.

VIII. CORRESPONDENCE

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

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IX. CONCLUSION

PG&E respectfully requests that the Commission issue a notice of filing for the Rate Year 2021 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:

NAME	ORGANIZATION / ADDRESS	E-MAIL ADDRESS
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Dated at San Francisco, California, this 1st day of December, 2020.

/s/ Joanne M. Myers

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Attachment A
Summary of Rate Base Reconciliation

Background

In Docket No. ER19-13-000, Pacific Gas and Electric Company (PG&E) and the settling parties entered into an Offer of Partial Settlement (Partial Settlement) that was approved by the Commission on August 17, 2020.[1] Section 6.6 of the Partial Settlement provides:

> Rate Base Corrections: PG&E will update its rate base for the first Annual Trueup Adjustment filing (i.e., which will occur on December 1, 2020 for the 2019 Rate Year) to remove, for cost recovery purposes, any facilities that are not under the CAISO's operational control or to add facilities that are under the CAISO's operational control. PG&E will include in this filing an explanation for each rate base adjustment. On a good faith efforts basis, PG&E will update its rate base for the draft Annual Update posting on July 1, 2020 and will include an explanation of each rate base adjustment in that draft Annual Update. PG&E will include in the draft Annual Update an explanation for each rate base adjustment. This will reflect the best available information as of May 1, 2020.

This document summarizes the effort PG&E to fulfill the requirements of Section 6.6.

Executive Summary

Table 1 below summarizes the rate base components reviewed to determine that only assets under CAISO control are included in PG&E's rate base for purposes of recovery in PG&E's Formula Rate, and shows the change between the initial and revised amounts for ending balances as of December 31, 2019:

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[1] *Pacific Gas and Electric Company*, 172 FERC ¶ 61,142 (2020).

TABLE 1
Summary of Rate Base Components Reviewed And Revised Amounts for Ending Balances as of December 31, 2019
(Millions of Dollars)

	Description	Reference	Initial Amount[2]	Revised Amount	Rate Base Change: Increase/ (decrease)
1	Network Transmission Plant		$ 12,756	$ 12,725	$ (31)
2	Transmission Accumulated Depreciation Reserve		(3,039)	(3,012)	27
3	Accumulated Deferred Income Taxes		(1,429)	(1,423)	6
4	Excess Accumulated Deferred Income Taxes		(570)	(557)	13
5	Total Excess and Accumulated Statutory Deferred Income Taxes	Sum of lines 3 and 4	(1,999)	(1,980)	19
6	**Total**	Sum of lines 1, 2 and 5	**$ 7,718**	**$ 7,733**	**$ 15**

Methodology

To determine that the assets included in Transmission Owner (TO) rate base include facilities under CAISO's operational control, PG&E performed the following procedures on its transmission plant balances:

1) PG&E verified that TO rate base assets are included in the CAISO Register as of November 2019.[3]

    a. **Substations:** Substation assets are recorded to asset classes:

        i. ETP35301 Transmission Plant: Station Equipment

        ii. ETP35302 Transmission Plant Step Up Transformers

[2] Source: PG&E TO20 Rate Year 2021 Model, Schedule 1-Base TRR, Prior Year: 2019, filed with the Commission on October 15, 2020 in the *Offer of Settlement and Stipulation* submitted in Docket Nos. ER19-13-000, ER19-1816-000, and ER20-2265-000.

[3] The CAISO Register is defined in Appendix A of the CAISO Tariff and described in Section 7.5.1.1 of the CAISO Tariff.

For these asset classes, PG&E maintains a listing of substation names and related costs in PowerPlant, PG&E's fixed asset system of record. PG&E compared the substation names in PowerPlant to the CAISO Register to determine whether the assets are under CAISO control and should be included in TO rate base. This population comprises approximately 53% of total electric transmission plant balances as of December 31, 2019.

As of December 31, 2019, there was approximately $85 million net book value of operational and system assets related to grid operations, system protection, and automation, including Energy Management Systems (EMS), EMS Servers, Remedial Action Schemes (RAS), and Special Protection Systems and RAS controllers that support the transmission network functions but are not listed in the CAISO Register. Instead, these assets are listed in the CAISO's Reliability Coordinator (RC) West Portal. The CAISO's RC West is the reliability coordinator of record for 42 balancing authorities and transmission operators in the western United States. An RC oversees grid compliance with federal and regional grid standards and can determine measures to prevent or mitigate system emergencies in day-ahead or real-time operations. The RC also provides leadership in system restorations following major events. Because these assets are relied on by the CAISO in its role as RC, they are included in the updated TO rate base.

b. **<u>Transmission Lines</u>:** Transmission lines and associated assets (*e.g.*, conductors, poles and towers) are recorded to the following asset classes:

   i. ETP35400 Trans Plant: Towers & Fixtures

   ii. ETP35500 Trans Plant: Poles & Fixtures

   iii. ETP35600 Trans Plant: Overhead Conductor/Devices

   iv. ETP35700 Trans Plant: Underground Conduit

   v. ETP35800 Trans Plant: Underground Conductor/Devices

For these asset classes, PG&E used electric transmission line (ETL) names to compare to the CAISO Register to determine whether the line is under CAISO control or not.[4] This population comprises approximately 39% of the total electric transmission plant balance as of December 31, 2019.

[4] PG&E has been in business since 1905, and over time increased automation and sophistication of accounting systems has enabled the retention and availability of more detailed asset information within its financial records. There is generally less information available on the older assets in PG&E's systems.

c. **<u>Additional Facilities</u>:** The remaining assets (representing less than 7% of total Plant as of December 31, 2019) are recorded to the following asset classes:

i. ETP35001 Transmission Plant: Land

ii. ETP35002 Transmission Plant: Land Rights

iii. ETP35201 Transmission Plant: Structures & Improvements

iv. ETP35202 Transmission Plant: Structures & Improvements/Equipment

v. ETP35900 Transmission Plant: Roads & Trails

PG&E reviewed detailed asset records to evaluate whether these assets should remain in TO rate base based on the inclusion of the associated substation or ETLs in the CAISO Register.[5]

2) PG&E updated the exclusion amounts for non-network transmission assets related to PG&E and third-party generation interconnections (gen-ties) and direct connects.

a. Gen-ties are transmission assets that function to bring power from a generator onto the transmission network. There are two types of gen-ties, PG&E-owned and third-party facilities.

i. For PG&E-owned facilities:

1. Lines: PG&E reviewed its maps for all hydroelectric, solar, fossil and nuclear generation facilities, identified the ETLs that relate to those facilities based on Geographic Information System (GIS) and substation documentation maps and provided updated gen-tie plant values that do not support network transmission. This is calculated based on gen-tie miles as a percentage of total line miles by ETL, multiplied by the related ETL costs.

For assets without adequate asset detail information to determine asset control, PG&E used an allocation factor based on the results of detailed review for that category of assets, to remove a portion of those assets from TO rate base.

[5] See footnote 4.

2. Substation equipment: To ensure the reasonableness of gen-ties for Substation Equipment used to convert generation to transmission level voltage, PG&E compared costs recorded to each hydroelectric generation facility to published generator step-up transformer costs in a recent US Department of Energy (DOE) Report.

3. New Fossil Gen-Tie (Post 2008): These are transmission costs related to PG&E generating facilities that are recorded and tracked in assets classes[6] that have been fully removed from TO rate base as gen-ties.

ii. For third-party owned facilities, all PG&E financed contracts were reviewed and contract amounts were used to determine plant balances that do not support network transmission. Additionally, PG&E identified plant balances for lines connected from third-party owned generators to PG&E facilities that do not support network transmission.

b. For transmission voltage direct connect lines that only deliver power to a single end-use customer from the transmission network (direct connects), PG&E identified specific Maintenance Activity Types (MAT)[7] that track these capital expenditures, to remove plant balances that do not support network transmission.

i. MATs were only utilized by PG&E starting in 2010 and 57% of ETP plant balances as of December 31, 2019 have MAT assignments. PG&E used the results of identified direct connect costs for years 2010 to 2019 to allocate a portion of pre-2010 ETP plant costs as additional direct connects and removed these plant balances as well.

3) Based on the plant balances determined to be appropriately included in TO rate base, PG&E recalculated the amounts for the related:

a. Accumulated Depreciation Reserve

b. Deferred Income Taxes

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[6] Asset classes ETP35303, ETP35401 and ETP35601 are used to record costs for post 2008 New Fossil Step-Up Transformers, Towers & Fixtures, and Overhead Conductors & Devices, respectively.

[7] PG&E tracks expenditures using major work categories (MWC) since SAP was implemented in 1998. Separately, MATs were used beginning in 2010 to provide an additional level of detail within MWCs. PG&E's existing fixed asset system (PowerPlant) was also implemented in 2010.

4) The review performed on ending plant balances as of December 31, 2019 and December 31, 2018 were used to determine the 13-month average plant, reserve and deferred income tax adjustments based on a straight-line amortization schedule.[8]

Findings

PG&E identified the following changes to network transmission plant, accumulated depreciation and deferred taxes as of December 31, 2019:

TABLE 2
Summary of Rate Base Adjustments as of December 31, 2019
(Millions of Dollars)

No.	Description	Initial Amount	Revised Amount	Rate Base Change: Increase/ (decrease)
		(in millions)	*(in millions)*	*(in millions)*
		a	*b*	*c=a-b*
1	FERC Form 1 – Transmission Plant	$ 13,289	$ 13,289	$ -
2	Asset retirement costs	(4)	(4)	-
3	Transmission CWIP to Plant (classified as General Plant in FERC Form 1)	43	43	-
4	Additional Transmission Assets Identified	-	19	19
5	***Less: Transmission Plant not under CAISO control***			
6	Nuclear transmission plant	(95)	(95)	-
7	Mirant/Gateway	(2)	(2)	-
8	Generation interconnections	(370)	(356)	14
9	Direct Connects	(105)	(38)	67
10	***Less: Other Assets not under CAISO control***			
11	Substation assets	-	(41)	(41)
12	Transmission lines	-	(82)	(82)
13	Land, road and structures	-	(8)	(8)
14	**Network transmission plant**	**12,756**	**12,725**	**(31)**
15	Less: Transmission accumulated depreciation reserve	(3,039)	(3,012)	27
16	Less: Excess and accumulated statutory deferred income taxes	(1,999)	(1,980)	19
17	**Total**	**$ 7,718**	**$ 7,733**	**$ 15**

[8] Since monthly balances for direct connect costs were available, the ending balance by month was used instead.

PG&E has updated the 13-month average balances of the plant, accumulated depreciation and deferred tax liability impacts identified for this effort in calculating the revenue requirement adjustments for periods beginning May 1, 2019 onwards.