STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE

January 4, 2022

Advice Letter 6419-E-A/4538-G-A

Erik Jacobson
Director, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

SUBJECT: San Francisco General Office Post-Close Final Calculations for the Net Gain on the Sale and Related Tax Information in Compliance with Decision 21-08-027.

Dear Mr. Jacobson:

Advice Letter 6419-E-A/4538-G-A is effective as of December 1st, 2021.

Sincerely,

Simon Baker
Interim Deputy Executive Director for Energy & Climate Policy / Interim Director, Energy Division

Pacific Gas and Electric Company®

Sidney Bob Dietz II
Director
Regulatory Relations

Pacific Gas and Electric Company
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P.O. Box 770000
San Francisco, CA 94177

Fax: 415-973-3582

December 16, 2021

Advice 6419-E-A/4538-G-A
Pacific Gas and Electric Company (U 39 M)

Public Utilities Commission of the State of California

Subject: **Supplemental: San Francisco General Office Post-Close Final Calculations for the Net Gain on the Sale and Related Tax Information in Compliance with Decision 21-08-027**

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits this Tier 1 supplemental advice letter in compliance with Ordering Paragraph (OP) 8 of Decision (D.) 21-08-027 (the Decision) and to correct a cataloguing error in the original advice letter's number. The original advice letter was submitted only with an electric number but was intended to have an electric and gas number because it affects both electric and gas customers. This supplemental advice letter replaces original advice letter 6419-E in its entirety.

Background

On September 30, 2020, PG&E filed Application (A.) 20-09-018 seeking approval of the sale of PG&E's San Francisco General Office (SFGO) buildings in light of PG&E's real estate strategy and the customer benefits from the associated ratemaking. Parties to the Application entered into an Amended Settlement Agreement, filed on May 26, 2021. On August 19, 2021, the California Public Utilities Commission (Commission or CPUC) approved the Amended Settlement Agreement in D.21-08-027 (Settlement Agreement), which provides substantial savings to PG&E customers over time. The Settlement Agreement distributes 100 percent of the after-tax gain on the sale of the SFGO to customers over five years, and approves the cost-benefit analysis of the SFGO sale in conjunction with the relocation of PG&E's headquarters at 300 Lakeside Drive in Oakland (Lakeside Building).

Under the Settlement Agreement, the following new regulatory accounts were established: (1) General Office Sale Balancing Accounts (GOSBA) to track the return to customers of the net gain on sale of SFGO and the reduction in revenue requirements adopted in the 2020 General Rate Case (GRC) associated with removing SFGO plant from rate base and the associated reduction in operating expenses; and (2) General Office Sale Memorandum Accounts (GOSMA) to track costs associated with moving to the Lakeside Building in Oakland, including interim leasing costs at the SFGO complex and Lakeside Building, and costs associated with moving to the Lakeside Building.[1] The Settlement Agreement also provides a 4.17 percent interest rate of return on PG&E's costs and expenses associated with the SFGO sale and its headquarters relocation rate.

The Decision acknowledged that PG&E's Section 851 application included a forecast of costs that would be revised once the transaction closed, and that the settling parties agreed the actual closing costs and the resulting net gain on sale for the SFGO would be the subject of a Tier 1 advice letter that PG&E would submit to the CPUC Energy Division within 75 days of the close of the sale of the SFGO. The Settlement Agreement also proposed that (1) PG&E adjust its 2020 GRC rate base and depreciation expenses to remove the SFGO from rate base and remove the SFGO depreciation expense, effective as of the beginning of the month following the closure of the sale of the SFGO; and (2) PG&E adjust its 2020 GRC amounts for ongoing capital expenses and operating expenses to reflect the lower cost estimate in light of PG&E's planned reduction in the occupancy of the SFGO, with the lowered cost estimate effective at the beginning of the month following the sale.[2]

In D.21-08-027, the Commission approved the Settlement Agreement and the sale of the SFGO, with OP 8 stating as follows:

> *8. Pacific Gas and Electric Company must submit a Tier 1 advice letter to the California Public Utilities Commission's Energy Division within 75 days of the Purchase and Sale Agreement closing date to implement the authority granted herein. The Tier 1 advice letter will include: 1) the final calculation of the gain-on-sale and tax information related to the transaction, 2) adjustments to the 2020 General Rate Case (GRC) rate base and depreciation expense, to remove the San Francisco General Office Complex (SFGO) depreciation expense, effective as of the beginning of the month following the closing of the sale, and 3) adjustments to the approved 2020 GRC rate base amounts for ongoing capital expenses and operating expenses for the SFGO, effective as of the beginning of the month following the closing of the sale, to reflect lower estimates in light of reduced occupancy of the SFGO as a result of the sale.*

This advice letter comports with the direction in D.21-08-027, OP 8, subpart (1). PG&E complied with the requirements of subparts (2) and (3) in Advice 4491-G/6336-E.

<u>Discussion</u>

Table 1, below, provides the final calculation of the gain-on-sale for PG&E's SFGO complex as of the closing date of September 17, 2021, in the same format as Table 1-1

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[1] The gas and electric preliminary statements for these accounts were submitted in Advice 4491-G/6336-E and Advice 4449-G/6220-E, respectively, and have been approved as effective for inclusion in PG&E's tariffs.

[2] D.21-08-027, p. 28.

of PG&E's June 11, 2021 Supplemental Testimony (Exh. PGE-5). Based on recorded data, the pre-tax gain on sale is $422 million. Compared to the estimates provided in the Supplemental Testimony, the recorded net sales proceeds (line 6) were $2 million more than forecast and the recorded net book value of the assets sold (line 11) was $2 million less than forecast, which resulted in a pre-tax gain $4 million greater than that included in PG&E's Supplemental Testimony. The tax liability associated with that gain is $118 million, resulting in an after-tax gain of $304 million.

TABLE 1
GAIN ON SALE AS OF SEPTEMBER 17, 2021
(MILLIONS OF DOLLARS)

Line No.	Description	Items	Total
1	Sales price		$800
2	Less:		
3	Transaction costs related to the sale	$51	
4	Other costs necessary to complete the closing of the transaction	0	
5	Total transaction costs		$(51)
6	Net sales proceeds		$749
7	Less:		
8	Net book values of land	8	
9	Net book values of buildings, including structure improvements	288	
10	Net book values of all other SFGO assets (excluding electric transmission assets)	31	
11	Total net book value of assets to be sold		$(327)
12	Pre-tax gain on sale		$422
13	Less: Income tax		(118) [(a)]
14	Net gain on sale after tax		$304

(a) Since PG&E will distribute all gain on sale to customers, the tax on the gain on sale will be offset by the tax reduction resulting from flowing the gain on sale to customers in rates. The estimated income tax amount may need to be updated to take into consideration the impact of any tax rate changes enacted into law.

On September 20, 2021, PG&E submitted preliminary statements for the GOSBA to PG&E's gas and electric tariffs,[3] which satisfied the requirements of OP 8 subparts (2) and (3). The GOSBA include the monthly amounts necessary to reflect the removal from the 2020 GRC adopted revenue requirement of (a) the SFGO plant costs previously in rate base, (b) the depreciation expense associated with the SFGO complex, and (c) the ongoing capital related costs and operating expenses for the SFGO complex. The final calculation of the gain on the sale of the SFGO complex does not affect the monthly amounts in the approved GOSBA preliminary statements. PG&E will serve a copy of the workpapers supporting Table 1 to the settling parties (the Public Advocates Office and The Utility Reform Network) and to the CPUC Energy Division, and will make the workpapers available to interested parties upon request.

Protests

PG&E requests that the Commission, pursuant to GO 96-B, General Rule 7.5.1, maintain the original protest and comment period designated in Advice 6419-E, which is **December 21, 2021**, as the content of the advice letter is unaltered.

Effective Date

PG&E submits this advice letter as a Tier 1 submittal. PG&E requests that this advice letter become effective concurrent with original Advice Letter 6419-E, which is **December 1, 2021**.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service lists for **A.18-12-009** and **A.20-09-018**. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter submittals can also be accessed electronically at: http://www.pge.com/tariffs/.

/S/

Sidney Bob Dietz II
Director, Regulatory Relations

cc: Service Lists for A.18-12-009 & A.20-09-018

[3] PG&E Advice 4491-G/6336-E, accepted on October 27, 2021.

California Public Utilities Commission

ADVICE LETTER SUMMARY

ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Pacific Gas and Electric Company (U 39 M)

Utility type:
- [x] ELC
- [x] GAS
- [ ] WATER
- [ ] PLC
- [ ] HEAT

Contact Person: Stuart Rubio
Phone #: (415) 973-4587
E-mail: PGETariffs@pge.com
E-mail Disposition Notice to: SHR8@pge.com

EXPLANATION OF UTILITY TYPE
ELC = Electric GAS = Gas WATER = Water
PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 6419-E-A/4538-G-A

Tier Designation: 1

Subject of AL: Supplemental: San Francisco General Office Post-Close Final Calculations for the Net Gain on the Sale and Related Tax Information in Compliance with Decision 21-08-027

Keywords (choose from CPUC listing): Compliance

AL Type: [ ] Monthly [ ] Quarterly [ ] Annual [x] One-Time [ ] Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:
D.21-08-027

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Confidential treatment requested? [ ] Yes [x] No

If yes, specification of confidential information:
Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? [ ] Yes [x] No

Requested effective date: 12/1/21

No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed[1]: N/A

Pending advice letters that revise the same tariff sheets: N/A

[1]Discuss in AL if more space is needed.

Clear Form

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division Attention: Tariff Unit 505 Van Ness Avenue San Francisco, CA 94102 Email: EDTariffUnit@cpuc.ca.gov	Name: Sidney Bob Dietz II, c/o Megan Lawson Title: Director, Regulatory Relations Utility Name: Pacific Gas and Electric Company Address: 77 Beale Street, Mail Code B13U City: San Francisco, CA 94177 State: California Zip: 94177 Telephone (xxx) xxx-xxxx: (415)973-2093 Facsimile (xxx) xxx-xxxx: (415)973-3582 Email: PGETariffs@pge.com
	Name: Title: Utility Name: Address: City: State: District of Columbia Zip: Telephone (xxx) xxx-xxxx: Facsimile (xxx) xxx-xxxx: Email:

Clear Form

PG&E Gas and Electric
Advice Submittal List
General Order 96-B, Section IV

AT&T
Albion Power Company

Alta Power Group, LLC
Anderson & Poole

Atlas ReFuel
BART

Barkovich & Yap, Inc.
California Cotton Ginners & Growers Assn
California Energy Commission

California Hub for Energy Efficiency Financing

California Alternative Energy and Advanced Transportation Financing Authority
California Public Utilities Commission
Calpine

Cameron-Daniel, P.C.
Casner, Steve
Cenergy Power
Center for Biological Diversity

Chevron Pipeline and Power
City of Palo Alto

City of San Jose
Clean Power Research
Coast Economic Consulting
Commercial Energy
Crossborder Energy
Crown Road Energy, LLC
Davis Wright Tremaine LLP
Day Carter Murphy

Dept of General Services
Don Pickett & Associates, Inc.
Douglass & Liddell

East Bay Community Energy Ellison Schneider & Harris LLP Energy Management Service
Engineers and Scientists of California

GenOn Energy, Inc.
Goodin, MacBride, Squeri, Schlotz & Ritchie
Green Power Institute
Hanna & Morton
ICF
International Power Technology

Intertie

Intestate Gas Services, Inc.
Kelly Group
Ken Bohn Consulting
Keyes & Fox LLP
Leviton Manufacturing Co., Inc.

Los Angeles County Integrated Waste Management Task Force
MRW & Associates
Manatt Phelps Phillips
Marin Energy Authority
McKenzie & Associates

Modesto Irrigation District
NLine Energy, Inc.
NRG Solar

OnGrid Solar
Pacific Gas and Electric Company
Peninsula Clean Energy

Pioneer Community Energy

Public Advocates Office

Redwood Coast Energy Authority
Regulatory & Cogeneration Service, Inc.
SCD Energy Solutions
San Diego Gas & Electric Company

SPURR
San Francisco Water Power and Sewer
Sempra Utilities

Sierra Telephone Company, Inc.
Southern California Edison Company
Southern California Gas Company
Spark Energy
Sun Light & Power
Sunshine Design
Tecogen, Inc.
TerraVerde Renewable Partners
Tiger Natural Gas, Inc.

TransCanada
Utility Cost Management
Utility Power Solutions
Water and Energy Consulting Wellhead Electric Company
Western Manufactured Housing Communities Association (WMA)
Yep Energy