

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Establish
Energization Timelines

Rulemaking 24-01-018

**CLEAN COALITION COMMENTS ON PROPOSED DECISION RESOLVING
PACIFIC GAS AND ELECTRIC COMPANY'S MOTION TO REVISE ITS 2025 AND
2026 ENERGIZATION COST CAPS**

/s/ BEN SCHWARTZ

Ben Schwartz
Policy Manager
Clean Coalition
1800 Garden Street
Santa Barbara, CA 93101
Phone: 626-232-7573
ben@clean-coalition.org

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and procedure of the California Public Utilities Commission (“the Commission”), the Clean Coalition submits comments on the *Proposed Decision* (“PD”) *Resolving Pacific Gas and Electric Company’s* (“PG&E”) *Motion to Revise its 2025 and 2026 Energization Cost Caps*, issued on July 25, 2025.

PG&E’s initial October 4, 2024, Motion seeks to increase the energization cost caps from an average of \$645 million between 2025-2026 to over \$2 billion each year, approval to spend funds flexibly between years, and permission to eliminate the secondary revenue requirement caps for 2024-2026. PG&E claims that approval for all three requests is needed to eliminate the existing energization backlog and seeks to persuade the Commission that the only solution is to use pricey third-party contractor labor that is twice as expensive as internal labor. The PD grants PG&E’s motion in part, authorizing a collect cost cap increase of \$2,383.6 billion—which is \$746.4 million less than PG&E requested—and approves the other requests.

Despite approving less funding than PG&E requested, the PD overlooks concerning aspects of PG&E’s proposal and ignores negative ratepayer impacts, which are likely understated. The PD attempts to fix the existing energization backlog but effectively incentivizes the development of a similar situation in the future by approving full cost recovery for a plan that relies on a massive surge of high-price contractor labor. PG&E has made it clear that despite the need for increased labor and a proposal to use cost-inefficient labor, no major hiring of internal labor is to be conducted from 2022-2026 or beyond.¹ The PD contains no up-front guardrails to promote transparency and accountability, socializing imprudence after the fact and inviting a rubber-stamp reasonableness review after dollars are already spent and utility rates reflect the burden.

¹ CLC-01, Q & A 002. “Staffing levels were not identified as a specific contributing factor to the existing energization backlog [in 2022].”

PGE-01, at p. 16. “...we do not have enough internal resources, nor the time to hire and train more internal staff...”

The PD also errs by failing to consider the events that led to the creation of PG&E’s energization backlog, the lack of significant actions taken to reduce the backlog following the passage of Assembly Bill (“AB”) 50 and Senate Bill (“SB”) 410, and the concerning precedent that this Decision sets moving forward. There is information included on the record about the backlog timeline that is absent from the PD and should be included so the Commission can make a decision based on the full weight of the evidence, rather than considering PG&E’s Motion in a vacuum without the proper foundation and evaluation framework. It is important to note that the only action PG&E has taken to improve the energization process **in a decade** is a single process analysis completed in 2023, prior to the passage of AB 50 and SB 410. See CLC-02 and the Clean Coalition’s Reply Brief for information on the timeline of actions PG&E took on the backlog.

In its current form the Commission should reject the PD. The Clean Coalition offers the following comments:

- The PD rewards PG&E’s short-term strategy despite the likelihood of a recurring energization backlog developing.
- The PD rewards PG&E for years of inaction, including two years of inaction following the passage of AB 50 and SB 410.
- Allowing PG&E full cost recovery for using expensive contractor labor is unjustified and unreasonable.
- The Commission errs by not including guardrails to protect the ratepayers against the sustained use of expensive contractor labor and future backlogs.
- Clean Coalition agrees that the backlog should only include applications submitted by August 31, 2026.

II. DESCRIPTION OF PARTY

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources (“DER”) — such as local renewables, demand response, and energy storage — and we establish market mechanisms that realize the full potential of integrating these solutions for optimized economic, environmental, and resilience benefits. The Clean Coalition also collaborates with utilities, municipalities, property owners, and other stakeholders to create near-term deployment opportunities that prove the unparalleled benefits of local renewables and other DER.

III. COMMENTS

A. The PD rewards PG&E's short-term strategy despite the likelihood of a recurring energization backlog developing

The PD evaluates PG&E's Motion solely on the basis of addressing the energization backlog, without considering the circumstances that led to the development of a backlog in the first place—risking a repeated issue. At its core, PG&E's solution is a spending increase and a relying temporarily on a higher percentage of contractor labor.² PG&E has not described to the Commission any long-term changes in hiring practices, especially as it forecasts 8% or more annual increases in energization applications.³ Even if the forecast is inaccurate, with increasing numbers of applications and a decrease in the total number of staff—as contracts with third-party labor expire—there is risk of another backlog. In the Motion, PG&E specifically mentions that it does not have the time to hire and train internal labor and will rely on temporary external labor. In CLC-02, PG&E's responses to the Clean Coalition's data request, PG&E notes:

To eliminate the backlog expeditiously, PG&E will need a surge of external labor. Once the backlog is complete, PG&E will be able to return to a steady state labor ratio of internal to external labor. As discussed in Rebuttal Testimony, PG&E does not plan to hire internal labor to complete the backlog because it is short-term work, and the need for that labor is not permanent.⁴

PG&E has determined that using high-cost labor is the preferred strategy over hiring new staff or shifting existing staff to prioritize the backlog and still has not yet addressed whether additional staff will be needed in the long term. This is the same business-as-usual approach that has led to the development of a backlog in the first place. By approving a substantial amount of funding and cost recovery for the use of expensive third-party labor, the Commission is providing tacit approval of these practices, and the ratepayers will foot the bill. A more substantial message is needed; in the midst of an affordability crisis where other programs are being scapegoated, adding costs due to high-priced contractor labor is a step in the wrong direction.

The Clean Coalition is concerned that the PD takes no steps to criticize the proposed doubling third-party contractor labor, at twice the price of PG&E's internal labor, or to require any changes. The percentage of contract labor proposed, 45%, is double the amount reflected in

² PD, at p. 12

³ *Ibid*, at p. 21

⁴ CLC-02, at Q & A 3.

the 2024 cost cap request. This request was made after the two bills were passed⁵ and PG&E clearly already understood the scope of work needed to clear the backlog. As The Utility Reform Network (“TURN”) notes, “PG&E’s Motion requested to spend more than two times what PG&E presented to the Legislature in 2023.”⁶ **So the real question before the Commission is, what changed to lead to a request for double the amount of third-party contract labor?** Between October 2023—when AB 50 and SB 410 were passed—and now, no new process or staffing audits were conducted and no significant new staff hirings took place.⁷ The PD grants the ability to make a rate of return on the higher-priced labor, albeit with a required reasonableness review, but the effect is clear—rewarding PG&E with more profit for a utility-created backlog. On both sides, the impact from the backlog and the accompanying increase in rates from additions to the revenue requirement, the ratepayers are the ones that shoulder the burden.

B. The PD rewards PG&E for years of inaction, including two years of inaction following the passage of AB 50 and SB 410

One of the most flawed aspects of the PD is the lack of much-needed historical background to properly set the stage for an accurate policy discussion. With the context to frame the issue, it becomes clear that the amount of approved funding is an even worse deal for the ratepayers than on face value. This proceeding has treated the backlog like a temporary problem and solution, when in reality, it is representative of a larger problem. **The backlog is not a sudden problem that developed overnight, it is a slow-moving issue that could (and should) have been addressed at numerous points over the course of multiple years.** This fact needs to be included in the PD to accurately cover the issue. As discussed in the Clean Coalition’s Reply Brief, “PG&E waited to the height of the backlog to even start addressing the problem by conducting a basic process review.”⁸

In the Clean Coalition’s data request to PG&E we inquired about the steps PG&E has taken to address the energization backlog. First, we found that PG&E conducted no process analysis or major audit of staffing levels related to energizations between 2015 and 2022.⁹ A Value Stream

⁵ AB 50 and SB 410 were signed by the governor on October 7, 2023.

⁶ PD, at p. 22)

⁷ CLC-02, at Q & A

⁸ Reply Brief of the Clean Coalition, at p. 2.

⁹ CLC-02, at Q & A 3, at p. 1-2.

Map process analysis was completed in February 2023, yet the backlog continued to grow, and no action on internal staffing or subsequent process audit took place in the two years following the passage of AB 50 and SB 410. As the problem swelled, the lack of proactive steps resulted in a focus on prioritizing short-term actions.¹⁰ PG&E did not hire additional new staff or begin the training process—efforts which have been described on the record as time intensive—and even dismissed the impact of normal staff turnover of team members involved in the energization process as “de minimis” while the backlog increased.¹¹ If PG&E had begun to proactively train new internal staff when the backlog began to develop, or even following the passage of AB 50 and SB 410, the need for additional funding would be **far less**.

PG&E’s Direct Testimony rationalizes the increased unit costs associated with a higher percentage of third-party contractor labor with the phrase, “Because of these added complexities and challenges, we do not have enough internal resources,” which is more of an attempt to rebrand the last few years of inaction than to layout a clear long-term solution of how PG&E will cost-effectively procure the labor needed to meet an increasing flow of energization applications. The changes PG&E refers to are all foreseeable and related to California’s clean energy policies, especially over the last five years: load growth, electrification, and an increasingly constrained grid.¹² Starting to address the backlog early, quickly, and cost-effectively (e.g., with internal staff) would have been the best solution for the ratepayers, who are stuck with the bill.

The PD takes a step in the right direction by granting PG&E less than the requested amount of funds. However, there is no admonishment for years of inaction, a reduction in the authorized rate of return, or increased compliance mechanisms. Approving a plan centered around temporary third-party contractors allows the maximum amount of funding to be expended per project, even with a required reasonableness review. Granted, there is historical precedent at the Commission for rejecting cost recovery. For example, in Decision 17-11-033, the Commission rejected 100% of San Diego Gas & Electric’s (“SDG&E”) request for cost recovery for managing/operating facilities prior to the 2007 wildfires.¹³

¹⁰ CLC-02, Q&A 003. “PG&E does not plan to hire internal labor to complete the backlog because it is short-term work, and the need for that labor is not permanent.”

¹¹ *Ibid*, Q&A 004. “Clear work responsibilities by functional group enable the energization process to proceed as normal personnel turnover occurs.”

¹² PGE-01, Supporting Declaration of Byron Winget to PG&E’s Motion, at p. 16

¹³ [D. 17-11-033](#), at p. 2.

In short, the PD rewards delay. By green-lighting substantial capital outlays that will be rate-based—and by tolerating a labor plan that maximizes high-cost contracting—the PD risks **locking in avoidable, higher per-unit costs** that stem directly from PG&E’s failure to plan and staff in a timely manner. The Commission should reduce the award now, before a reasonableness review is conducted, to avoid socializing imprudence after the fact and inviting a rubber-stamp outcome after dollars are already spent. A front-end reduction is warranted given (1) PG&E’s documented reliance on premium-priced contractors despite statutory directives to build internal capacity, (2) the absence of timely process audits and workforce actions after AB 50 and SB 410, and (3) the foreseeability of the underlying drivers (electrification, grid constraints, policy shifts).

To protect ratepayers and realign incentives, the Commission should: (a) cut the approved capital cost caps to reflect an internal-labor-first plan consistent with Pub. Util. Code §932 933(e) and §935; (b) apply an ex ante disallowance/holdback tied to verified internal hiring, apprenticeship pipeline milestones, and demonstrated unit-cost reductions; and (c) direct that any remaining contractor use be **narrowly scoped and competitively priced**, with enhanced reporting on staffing mix, apprentice progression, and cost per completed energization. Absent these corrections, the PD effectively pays a premium for years of inaction and leaves ratepayers to fund the most expensive pathway while waiting for a later reasonableness review that will arrive only after the money is spent.

C. Allowing PG&E full cost recovery for using expensive contractor labor is unjustified and unreasonable

PG&E’s Motion is unique because it is justified on the basis of time, i.e., complying with AB 50 and SB 410, not on the basis of what is most financially prudent for the ratepayers. Apparently the only circumstance where a systematic reliance on high-priced external contractors is acceptable is where the primary constraint is timing. The result of a sudden focus on fixing the backlog over the next two years, despite it continuing to persist for years before PG&E’s 2024 Motion, is that minimizing ratepayer costs is of secondary importance. In the PD, the Commission takes no action to limit cost recovery or the rate of return associated with paying third-party contractors at more than double the rate of internal labor. With the ratepayers shouldering the cost of reducing the energization backlog, PG&E is actually incentivized to let another backlog develop. The precedent set in the PD supports the hiring of temporary high-

priced contractors, resulting in a higher rate of return for PG&E than using internal labor. Such an incentive is detrimental for the ratepayers, who deserve rate stability amidst an affordability crisis and the certainty that policies are being put in place to protect ratepayer interests by preventing future backlogs from developing.

The Clean Coalition believes that the PD does not go far enough to limit ratepayer exposure; an additional reduction in the amount of approved funds is merited and a limited the rate of return on capital spent on third-party contractors should be implemented. Approving increased funding caps that are around 30% less than what PG&E initially requested is not enough of a slap on the wrist to prevent PG&E from continuing business as usual and digging another hole that requires billions of dollars in ratepayer funds to close the gap.

In short, the PD's treatment of PG&E's contractor-heavy approach prioritizes speed over fiscal prudence, leaving ratepayers to shoulder avoidable cost premiums. By reducing the funding authorization *before* expenditures occur and limiting the rate of return on capital spent on third-party contractors, the Commission could remove the incentive for PG&E to neglect internal workforce development and allow future backlogs to form. Importantly, SB 410 states that capital costs may be recovered, but does not specify that a full rate of return is required meaning that the Commission has room to impose limits.¹⁴ Based on evidence in the record showing that PG&E is not on track to meet its two-year goal even with the requested funding,¹⁵ the Commission should consider conditioning the rate of return on measurable backlog reduction, such as completion percentage by year's end. This would align utility incentives with statutory mandates and ratepayer protection and is consistent with the Commission's cost-recovery discretion under SB 410.

Without these safeguards, the PD risks entrenching a costly, short-term model that rewards past inaction rather than driving the structural changes needed to deliver timely energizations at the lowest reasonable cost.

D. The Commission errs by not including guardrails to protect the ratepayers against the sustained use of expensive contractor labor and future backlogs

¹⁴ [SB 410](#), Public Utilities Code § 937(b)

¹⁵ PD, Finding of Fact 15, at p. 59. "PG&E's planned completion of 16,000 projects per year over 2025 and 2026, as described in its October 4, 2024, motion, does not meet PG&E's two-year plan goal of completing 38,000 projects before December 31, 2026."

An accountability measure is critical to identify the genesis of the energization backlog and to ensure that shortcomings are not repeated. A comprehensive analysis of why the backlog occurred and how it increased over time still has not been conducted by PG&E or the Commission. The lack of concrete evidence provides an opportunity to inflate the amount of funding needed to eliminate the backlog, underestimate ratepayer impacts, and avoid transparency—making it harder to challenge the asserted need for costly third-party contractors.

For example, PG&E is forecasting 8% annual increases in energization application numbers from 2025-2026 despite the annual increase rate from 2021-2024 being only 1%.¹⁶ This projected spike is one of PG&E’s justifications for claiming that increased load from energizations will mitigate a potential rate increase. Yet, TURN notes that PG&E has not made any reduction to the 2025-2026 Unit Cost Guide and has provided no evidence that new data centers will be energized at the distribution level, prompting TURN to conclude that, “PG&E is attempting to claim credit for operational efficiencies to increase its number of completed energization applications.”¹⁷ Cal Advocates similarly observes that PG&E has offered no new evidence and is merely readdressing issues already resolved by the Commission, failing to meet the criteria in D.24-07-008, OP 28—a position with which TURN concurs.¹⁸ **While both parties oppose approving additional funding, the Clean Coalition maintains that if the Commission chooses to raise PG&E’s cost caps, guardrails must be in place before any reasonableness review to safeguard ratepayer interests.**

Guardrails should include clear limits on the proportion of work performed by third-party contractors, caps on allowable unit costs, and enforceable requirements for internal workforce development. These measures, implemented before funds are spent, are essential to protect ratepayers from ongoing exposure to avoidable cost premiums and to ensure that backlog reduction strategies deliver lasting, cost-effective results.

E. Clean Coalition agrees that the backlog should only include applications submitted by August 31, 2026

The Clean Coalition agrees with TURN that the project cutoff should be August 31, 2026, which should reduce the amount of funding that PG&E requires.¹⁹ If TURN’s assertion is correct, and

¹⁶ PD, at p. 42-43, and TURN Opening Brief dated January 21, 2025, at p. 36.

¹⁷ *Ibid*, at p. 23-25.

¹⁸ *Ibid*, at p. 33.

¹⁹ *Ibid*, at p. 30.

all projects submitted by the end of August will be completed before December 31, 2026, additional projects should be included in 2027 when they are completed.

IV. CONCLUSION

The Clean Coalition appreciates the opportunity to submit these comments on the PD and appreciates the concrete steps being taken to eliminate PG&E's energization backlog. However, additional transparency and accountability measures are needed, to address both the symptom (e.g., the energization backlog) and the root causes in the most cost-effective way possible. From a financial perspective, the current PD foists full responsibility onto the ratepayers while PG&E earns a profit. Although conducting the work needed to reduce the backlog requires funding, funding should be allocated at a level and a manner that does not reward PG&E for the development of a backlog and solving the issue solely with high-priced contract labor. Approving a major cost cap increase with full cost recovery and no additional up-front guardrails fails to safeguard ratepayer interests in the short and long-term. In its current form, the PD adopts a cost cap that is too high and takes no action to remedy the overreliance on third-party labor, including the need to solicit information from PG&E on existing staffing levels and plans beyond 2026.

/s/ BEN SCHWARTZ

Ben Schwartz
Policy Manager
Clean Coalition
1800 Garden Street
Santa Barbara, CA 93101
Phone: 626-232-7573
ben@clean-coalition.org

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Appendix A

Recommended Changes

Proposed Revisions – Findings of Fact

1. It is reasonable to limit the rate of return applied to capital expenditures on third-party contractor labor for energization projects, given that such labor costs are more than double the internal labor rate and create a perverse incentive to avoid internal workforce development.
2. SB 410 authorizes recovery of capital costs associated with energization but does not require the Commission to grant a full rate of return on all such costs.
3. Approving funding caps without guardrails risks creating incentives for PG&E to allow future backlogs to develop, knowing they can be addressed through high-cost temporary contractors with ratepayer funding.
4. Ratepayer interests are best protected by aligning cost recovery with performance, such as tying allowable rate of return to the percentage of the backlog energized in a given year.
5. From 2015-2021, PG&E conducted no major audits or process analyses on the energization process. In November 2022, PG&E began a Value Stream Map process analysis that was completed in February 2023. In July 2024, PG&E began to incorporate a higher percentage of third-party contractor labor in the energization process. None of these steps have put PG&E on a timeline to eliminate the energization backlog in the next two years.

Proposed Revisions – Conclusions of Law

1. The Commission has discretion under SB 410 to condition or limit the rate of return on capital expenditures associated with energization projects, including those using third-party contractor labor.
2. A rate of return on third-party contractor labor should be proportionally reduced or conditioned on measurable backlog reduction performance to protect ratepayers and discourage reliance on high-cost temporary labor.
3. Approval of increased cost caps for PG&E's energization efforts without implementing guardrails is inconsistent with the Commission's duty to ensure just and reasonable rates.

4. It is reasonable for the Commission to require a performance-based reasonableness review that ties rate of return eligibility to the percentage of the backlog resolved annually.

Proposed Revisions – Ordering Paragraphs

1. PG&E shall not earn the full authorized rate of return on capital expenditures for third-party contractor labor associated with energization projects; instead, the rate of return shall be reduced proportionally based on the share of annual backlog reduction achieved.
2. The reasonableness review for 2025 and 2026 energization expenditures shall evaluate the percentage of backlog energized in each year and adjust cost recovery and/or rate of return accordingly.
3. PG&E shall file, as part of its annual energization report, detailed data on internal versus contractor labor usage, associated costs, and percentage of backlog reduction achieved, to support the performance-based cost recovery determination.