BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Establish Energization Timelines	Rulemaking 24-01-018

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

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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 reply 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. We continue to urge rejection of the PD and strongly support comments made by Cal Advocates and The Utility Reform Network ("TURN") that detail the flaws of the PD, including PG&E's inability to complete work at the required pace even with higher Cost caps, erroneously including future customer loads in calculating the impact of increased Cost Caps, glossing over the use of high-price contract labor triple the cost of internal labor, and the precedent set by rewarding PG&E's poor performance.

II. COMMENTS

Cal Advocates

<u>PG&E is unable to complete the needed work in time</u>

Cal Advocates rightly questions the basis on which the PD grants PG&E additional funding, without a data-driven plan to fully address its energization backlog. The PD also fails to assess how effective PG&E's energization processes have been over time—a necessary evaluation for determining whether PG&E's proposal is feasible. It is critical for the Commission's Decision to consider whether PG&E is capable of completing work at the necessary pace if higher Cost Caps are granted. The record documents on the impacts from past energization process improvements, proving that completing work at the historical pace required is untenable for PG&E.

PG&E's Value Stream Mapping process analysis did not meaningfully reduce the backlog after implementation in 2023,[1] and reliance on contractors has not achieved the pace needed.[2] Cal Advocates further notes the absence of findings in the PD acknowledging PG&E's failure to

[1] Clean Coalition Reply Brief, at p. 3.
[2] Cal Advocates Opening Comments on PD, at p. 13. "Thus, the costs that PG&E requests for additional energization work are dictated by the pace at which PG&E can accelerate its work. However, PG&E failed to produce any evidence that it can more than double its pace of work."

complete base scenario and highlights the lack of evidence that PG&E can more than double its pace of work..[3] The Clean Coalition believes that the Commission should prioritize what is cost-effective and feasible for the ratepayers. In both cases, the PD needs recalibration.

The critique underscores a fundamental flaw in the PD: raising PG&E's Cost Caps without a realistic plan to meet statutory goals amounts to writing a check without proof of performance. Based on PG&E's own evidence, completing 19,000 energization projects in 2025 would require a 42.6% increase over its 2024 pace—an unsubstantiated leap.[4] <u>With billions in new funding at stake and ratepayers facing higher bills, the Commission has a duty to hold PG&E accountable to verifiable standards, not speculation.</u> Limiting ratepayer cost exposure requires transparency, stringent accountability measures, and a high standard of proof that the applicant must satisfy.

As Cal Advocates makes clear, PG&E lacks a concrete plan to address its backlog—other than hoping that contractor labor can be scaled up at an unprecedented rate—an omission that warrants rejection of the PD. PG&E should be required to factually demonstrate the capability to meet the backlog. PG&E has argued consistently that funding, not labor, is the barrier. Yet the record shows labor shortfalls will also constrain implementation, further weakening the likelihood of success and rendering the Cost Cap increases granted in the PD unreasonable.

<u>Up-Front Cost Caps should be based on existing customer numbers, not uncertain forecasts</u>

The PD errs by failing to properly account for ratepayer impacts from the proposed cost cap increases. The PD largely ignores the implications of TURN's rate impact analysis and chooses to increase PG&E's cost caps regardless, despite the lack of a clear understanding needed to protect ratepayer interests. While accepting that the general assumption that loads from new customers will offset additions to the rate base, the PD concludes that, "bill impacts "cannot be quantified" because new customer electricity usage is unknown, and "because PG&E "fail[ed] to adequately model the affordability impacts on customers."[5] Cal Advocates lays out what this means plainly: "Said differently, PG&E failed to provide evidence that the Cost Caps it proposes address affordability and ratepayer impact concerns, even though PG&E raised the customer usage issue."[6] In failing to provide the necessary information to make a complete case, PG&E has missed the mark required to persuade the Commission to approve the Motion.

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[3] *Ibid*, at p. 11-13.
[4] *Ibid*, at p. 13.
[5] *Ibid*, at p. 5-6.
[6] *Ibid*, at p. 5.

No foundation exists to base up-front Cost Caps on estimated future customer usage

The Clean Coalition joins Cal Advocates in taking issue with the PD's development of increased Cost Caps that rely on estimated future customer usage as disconnected from the plain language of SB 410. The precedent set could allow a utility to intentionally keep a larger-than-necessary backlog—rather than eliminating it entirely or seeking process efficiencies—to consistently request Cost Cap increases based on the potential added load. Cal Advocates notes, "Nor does the Proposed Decision offer any explanation, or an interpretation of SB 410, to demonstrate why it is now reasonable to consider unknown future revenues as a part of the cost cap analysis."[7] The statutory basis for this aspect of the PD is lacking, clearly weakening the logical serving as the foundation for the PD.

While the outcome of this proceeding centers around PG&E's 2025 and 2026 energization Cost Caps, the precedent will extend further. The Commission's implementation of up-front cost caps and reasonableness reviews based on SB 410 will offer a standard that demonstrates what it takes to receive Commission approval, for other utilities in the context of energizations or Cost Cap increase requests more broadly. Cal Advocates is correct in urging that the rejection of a PD with a foundation that does not have a clear basis in statute and gives weight to unproven estimates about potential future customer electrical loads. The Clean Coalition's opening comments on the PD similarly addresses the need for up-front transparent guardrails that prevents overspending prior to an *ex post* reasonableness review. True accountability starts with accurately assessing the impact of PG&E's proposal on ratepayers and then using sound underlying assumptions to determine whether to approve a cost cap increase and of what amount.

TURN

TURN's opening comments reinforce the core concerns raised by Cal Advocates and the Clean Coalition. TURN warns that "instead of remaining firm… the PD rewards PG&E for relitigating the 2025 and 2026 caps less than three months after the original decision was approved," and urges the not to incentivize repeated rate-increase requests that primarily expand the utility rate base.[8] TURN also raises key issues about the disproportional reliance on external labor, the lack of evidence supporting energizations resulting in rate reductions, and an issue with PG&E's introduction of PG&E-05.

[7] *Ibid,* at p. 6.
[8] TURN Opening Comments on PD, at p. 1.

Issues with contract labor in the PD

TURN remains steadfast in its rebuke of PG&E's reliance on a high proportion of high-prices external labor, succinctly stating, "Ignoring this issue will not make it disappear."[9] Although the PD acknowledges the exorbitant cost of relying on contractor labor compared to PG&E's internal labor, it nonetheless adopts increased Cost Caps without much-needed corrective guardrails. The Clean Coalition agrees that the PD glosses over deficiencies in PG&E's staffing proposal is a missed opportunity to align with AB 50 and SB 410. In addition to mandating timely energizations, the bills mandate the maintenance of a well-trained and sustainable energization workforce. The Commission should diagnose root-cause staffing constraints in parallel with backlog elimination.

TURN also corrects the PD's unit costs for contractor labor. The cost of external labor is far lower in the PD than what is included in the proceeding record.[10] ***The PD should be updated to reflect that contract labor is three times the cost of internal labor, not twice the cost.***[11] The PD compares the overall cost per unit ($67,264) of completing MWC 16 connection work to the cost per unit of using external labor ($137,299), instead of comparing the cost per unit of using internal labor ($45,850) to the cost of using external labor. As a result, the PD undervalues the added cost from using external labor. Clean Coalition also supports using the most accurate unit costs based up-to-dated forecast data from PG&E.[12]

The applicant has provided insufficient analysis of ratepayer impacts

Cal Advocates and TURN both raise issues with the PD's use future, uncertain loads to dilute near-term bill impacts from increase Cost Caps. Counting customers who are not yet energized inflates the rate base, resulting in the perception of an artificially low impact on rates. However, expected loads that do not materialize will result in a far greater 'real' impact on PG&E ratepayers. Forecasts in the PD fail to consider customer attrition (rates may increase as delays persist), evidence-based project completion rates, and a lower-than-expected number of new applications, overestimating loads coming online in 2025 and 2026. When forecasted loads do not materialize, customer bills will increase more than expected and the Commission will likely be put in a position to grant PG&E cost recovery in a reasonableness review nonetheless.

[9] *Ibid,* at p. 2.
[10] *Ibid.*
[11] *Ibid*, at p. 3. This is *based on the 2025 and 2026 forecast costs that are the basis for PG&E's request.*
[12] *Ibid.*

As discussed above, Cal Advocates' comments opposing including the loads of new customers in rate impacts focus on the lack of connection to statute, precedent, or certainty that customer loads will materialize. TURN addresses PG&E's lack of transparency on this issue and refusal to reveal information that the Commission needs to make an accurate ruling and to hold PG&E accountable in reviewing spending after projects are complete. TURN makes reference to its Brief, where it notes that "PG&E refused to respond to a series of data requests seeking information on incremental customer usage resulting from energization projects," and "that PG&E stated that it would not provide information on the downward rate pressure impacts of energization requests in its next GRC."[13] The PD errs by rewarding PG&E for this behavior.

III. CONCLUSION

The Clean Coalition appreciates the opportunity to submit these reply comments on the PD. The PD should be rejected in its current form; PG&E should not receive funds for a proposal that fails to eliminate the energization backlog. The Commission must send a clear signal that utilities will not be rewarded for poor performance or for slowing the pace of needed change. Corrections are needed to unit cost figures, the rate impacts analyses that understate bill impacts by counting speculative load growth, and PG&E's excessive reliance on costly external labor. We urge the Commission to reject the PD in its current form and require transparent and accurate data from PG&E. Existing data does not support such a steep Cost Cap increase as what is requested in PG&E's Motion or granted in the PD. Absent proof of capability and transparent data, the Commission cannot justify shifting higher costs onto ratepayers.

Sincerely,

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[13] *Ibid*, at p. 7-8.