Decision 18-06-029 June 21, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority to Establish the Wildfire Expense Memorandum Account. (U39E)	Application 17-07-011

ALTERNATE DECISION AUTHORIZING ESTABLISHMENT OF WILDFIRE EXPENSE MEMORANDUM ACCOUNT

Summary

This decision grants the request of Pacific Gas and Electric Company (PG&E) to establish a Wildfire Expense Memorandum Account (WEMA) for the purpose of tracking specific incremental wildfire liability costs. This decision does not grant PG&E rate recovery of any wildfire-related costs; any such rate recovery would require express Commission authorization in a separate proceeding. This proceeding is closed.

1. Background

Pacific Gas and Electric Company (PG&E) filed this application on July 26, 2017, requesting authorization to establish a Wildfire Expense Memorandum Account (WEMA). PG&E requested the WEMA for the purpose of tracking "incremental unreimbursed wildfire liability costs." (Application at 2.) PG&E states that it intends to record costs related to the 2015 Butte Fire in the WEMA if its request is granted (*Id.* at 4), but the application is not limited to that one fire; PG&E is requesting a standing or ongoing WEMA in which it would record certain wildfire liability costs from multiple fires, potentially including future fires. (*Id.* at 2-4, 11.)

PG&E is not requesting rate recovery in this proceeding for the Butte Fire or other wildfire costs. Any rate recovery would only be authorized in response to a separate application from PG&E. (*Id*. at 2, 11 and 15.)

Protests to the application were filed by The Utility Reform Network (TURN) and the Commission's Office of Ratepayer Advocates (ORA). TURN argued that PG&E's request for the WEMA should be denied, on the grounds that there are other available options for PG&E to record incremental unreimbursed wildfire liability costs and that PG&E has not met its burden of proof that the WEMA is necessary. (TURN Protest at 2) TURN also objected to PG&E's proposed tariff language. *(Id*. at 3-6.) ORA argued that PG&E's requested WEMA is overbroad, as it is not associated with any specific wildfire event, and that the WEMA should not include the Butte Fire or any wildfire event that predates the filing of the application. (ORA Protest at 2-5.) PG&E filed replies to the protests of TURN and ORA.

A prehearing conference (PHC) was held on December 8, 2017. At the PHC, the parties agreed that there were no material issues of fact, that hearings were not necessary, and that this proceeding could be resolved via briefing. (Transcript, v. PHC at 8-11.) A Scoping Memo was issued on January 11, 2018, that set forth the scope and schedule for this proceeding.

2. Discussion

2.1. Ongoing or Incident-Specific WEMA

As a threshold question the Commission must address PG&E's request for a standing or ongoing WEMA, rather than an incident-specific WEMA. The Scoping Memo posed the question: "[S]hould the Commission authorize a WEMA for all wildfire-related costs (potentially encompassing multiple wildfires), or should a WEMA be more specifically event or time limited?"

(Scoping Memo at 2.) In response, PG&E argued that the Commission should not limit the proposed WEMA tariff to a specific event or time, and provided a number of reasons, including:

> First, the wildfire risk that WEMA addresses is ongoing. It is not limited to a specific event that may already have occurred. Drought conditions and climate change continue to increase wildfire risk across the state. Governor Brown has recognized that California is facing a "new normal" of increased wildfire risk due to, among other factors, climate change. Given the current law of inverse condemnation, the potential that utilities will be exposed to significant, unreimbursed liability from severe wildfire events is real and ongoing.
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> Second, the Commission previously has authorized memorandum accounts that are ongoing in nature and that are not limited to specific events. PG&E's request is not novel in this respect. An example of such an account is the Catastrophic Expense Memorandum Account (CEMA) authorized by Resolution E-3238. The CEMA allows tracking of costs related to declared disasters. Like PG&E's proposed WEMA, the CEMA is ongoing and not limited to a specific event. (PG&E Opening Brief at 2-3, footnotes omitted.)

TURN and ORA oppose PG&E's proposal, and argue that the Commission should only authorize a WEMA specific to the costs of the Butte Fire, rather than an ongoing WEMA. In support of their arguments, TURN and ORA raise a number of policy and practical implementation issues.

TURN summarizes its arguments:

> The Commission should reject this aspect of PG&E's request and limit the approval of a WEMA to only costs associated with the Butte Fire for the following reasons: 1) The legal framework of inverse condemnation – PG&E's primary justification for requesting a memorandum account is uncertain and subject to judicial or legislative change; thus it is premature to apply the WEMA to any wildfire events other than Butte at this point, 2) Memorandum accounts are not

> appropriate for costs that are covered by ordinary ratemaking, and it is inappropriate to create such accounts for wildfire events when the facts and circumstances are unknown concerning whether a wildfire event may generate unforeseen, incremental costs that justify a memorandum account. (TURN Opening Brief at 1.)

ORA, while arguing for a similar outcome as TURN, raises somewhat different concerns:

> ORA recommends that if the Commission authorizes a memorandum account in response to this application, it be limited to the 2015 Butte Fire. Any wildfire memorandum account authorized should be limited to a specific wildfire event and the costs associated with the event. As we have learned from the SDG&E WEMA, it can take many years to settle all claims related to a wildfire, and tracking costs from multiple events in one memorandum account will be complex and confusing. Alternatively, if the WEMA is authorized to cover multiple events, the Commission should require that costs tracked be sub-categorized by the individual fire or fires making up the wildfire event. (ORA Opening Brief at 2, footnote omitted.)

ORA additionally points out that PG&E's example of the CEMA, while an ongoing memorandum account, is unique, and narrowly proscribes the types of expenses eligible to be recorded. (Id at. 3)

TURN and ORA raise valid concerns, and the issues they identify should be analyzed in the context of PG&E's request. In doing so, it appears that the concerns raised by TURN and ORA do not require the denial of an ongoing WEMA, but can be addressed by incorporating an appropriate structure or rules for an ongoing WEMA.

On the issue of inverse condemnation, PG&E and TURN essentially agree that the current California court application of inverse condemnation law adds to the likelihood that PG&E could be subjected to significant unreimbursed liability

for wildfire events, but the current law on inverse condemnation may not be settled, and accordingly may change. (PG&E Opening Brief at 3 and 8; TURN Brief at 1-2, 4 and 6.) While PG&E focuses on the current application of the law to utilities, TURN focuses on the unsettled nature of the current law, and its potential to change.

Given the current state of the law and its effect on utilities, coupled with a lack of certainty about how, when and if it may change, it is reasonable to take into consideration the current state of the law, which tends to support the authorization of an ongoing WEMA. If at some point the law or its application changes in a way that significantly reduces the risk to PG&E of unreimbursed liability for wildfire events, this Commission can order PG&E to discontinue the WEMA.

TURN's second argument, that memorandum accounts are not appropriate for costs that are covered by ordinary ratemaking, is also correct. But that argument does not preclude the creation of an ongoing WEMA. An ongoing WEMA can incorporate the condition that costs covered by ordinary ratemaking should not be recorded in the WEMA. In addition, at such time as PG&E requests rate recovery for costs recorded in the WEMA, the Commission can require PG&E to show that the costs requested were not subject to regular ratemaking or otherwise recovered by PG&E.

ORA argues that tracking costs from multiple events in one memorandum account can be complex and confusing. (ORA Brief at 2.) If the multiple events were not clearly delineated, and if their costs were not kept separate, it could cause significant problems with determining which costs are ultimately recoverable in rates, as the costs for some events may be recoverable, while others may not be.

PG&E has stated that (similar to CEMA), it would implement procedures to track costs on an event-by-event basis, segregating costs by event, so that the Commission would be able to review costs separately for particular events. (PG&E Opening Brief at 3-4) This is similar to a recommendation by ORA that any ongoing WEMA should have recorded costs sub-categorized by the individual fire or fires making up the wildfire event. (ORA Brief at 2.) We agree with ORA and PG&E that an ongoing WEMA must have separate subaccounts or other means of categorizing or segregating costs by event, and we will require PG&E to notify the Commission (via Tier 1 Advice Letter) whenever a new event is added. With that mechanism, properly tracking costs via an ongoing WEMA should not be harder than with separate WEMAs for each event.[1]

On a process level, an ongoing WEMA has a potential benefit, as the one application currently before the Commission would replace multiple applications, saving PG&E and the Commission time and resources, and saving ratepayers money. On the substantive side, comparing the ramifications of a single application resulting in an ongoing WEMA with multiple applications for individual event WEMAs, a key consideration is whether there are situations potentially covered by an ongoing WEMA for which an individual WEMA would not be allowed. In other words, would requiring separate applications for individual WEMAs, rather than an ongoing WEMA, result in a different outcome? If all individual WEMAs would be approved, there would be no significant difference between a single ongoing WEMA and a series of individual WEMAs. Accordingly, we need to look at the reasons why utility requests for

[1] To the extent that individual WEMAs could vary in their scope or requirements, a single, standardized, ongoing WEMA will likely be administratively simpler.

memorandum accounts may be denied, to see if they are applicable here. While historically, requests for memorandum accounts have more frequently been approved than denied, the Commission has denied requests to establish memorandum accounts for several reasons.

In Decision (D.) 94-06-033, the Commission found that a water quality memorandum account was not needed because: "It is clear that the majority of water quality costs can be forecast with reasonable accuracy and included in rate case applications."[2] In D. 10-04-031, a water utility requested a conservation memorandum account, but the Commission found that the tracked expenditures would likely not be "of a substantial nature," and accordingly denied the request. Other requests for memorandum accounts were denied because the costs sought to be recorded were speculative, or the request was premature. (*See*, e.g. D.16-01-009 and D.97-12-096.)

These decisions provide good examples of the reasons to deny a memorandum account – the costs are recoverable in a general rate case, the costs are not substantial, or the existence of the costs is speculative. The first two reasons are clearly not present here – the costs PG&E seeks to record in the memorandum account would not be recoverable in a general rate case, and the costs are potentially substantial. The third one is a closer call; while the existence of costs associated with the Butte Fire is not speculative, because PG&E is asking for an ongoing WEMA, the question remains whether future costs are speculative. But given the subsequent fire events in PG&E's territory, and California's acknowledgement of a significant increase in the risk for additional

[2] [*See also* the Proposed Decision in A.16-12-011.]

fire events, we find that the potential for significant fire-related costs is not speculative.[3]

In short, if PG&E was granted a WEMA for the Butte Fire, and then requested similar individual WEMAs for additional fire events, those additional WEMAs would likely be authorized as well. The result would be a series of applications requesting WEMAs, with each application triggering a Commission proceeding, and each resulting in a Commission decision (likely) approving a WEMA for each event. As a practical matter, this result would be equivalent to granting PG&E a standing WEMA, but requiring more time, energy, and resources from the utility, Commission and ratepayers. Given the similarity of outcomes, there is no good reason to require this approach, rather than using a one-time process to establish an ongoing WEMA with appropriate conditions.[4]

2.2. Incrementality

A key issue raised by ORA and TURN in establishing a WEMA is "incrementality." The basic idea of incrementality is that in order to recover any costs recorded in the WEMA, those costs must be incremental, and not recovered in another way, such as in a General Rate Case (GRC). For example, if PG&E had forecast certain wildfire-related costs in a GRC, resulting in those costs being included in rates, they would not be incremental, and PG&E could not record those same costs in the WEMA and subsequently seek rate recovery. At the same time, however, the parties agreed that an in-depth look at whether certain costs

[3] Our decision today only considers this issue for PG&E; it is adequately clear that for PG&E wildfire-related costs are not speculative. It may or may not be as clear for other California utilities.

[4] As noted above, if conditions change and wildfire events become unusual, the Commission could order that the WEMA be discontinued.

are incremental should not be addressed here, but rather should be addressed in a future cost recovery proceeding.

As TURN described the issue:

> Whether the costs PG&E seeks to record in the WEMA are incremental to previously authorized rates is a fundamental requirement that must be satisfied before any rate recovery will be allowed. If the costs are not incremental, then PG&E shareholders would receive a windfall from the ratepayers for costs that have already been recovered in rates. PG&E also concedes that only incremental costs should be recoverable from customers. PG&E further acknowledges that parties may have diverging views about cost incrementality. Hence, the Commission should order that this issue be preserved for litigation if any cost recovery is requested, and parties should be free to challenge the incrementality of any expenses recorded to the WEMA – no presumption of incrementality should be attached. (TURN Brief at 5, footnotes omitted.)

TURN recommends that the Commission address the more difficult and factually-specific question of "what is incremental" in a separate future cost recovery proceeding, where the parties can challenge the incrementality of expenses recorded to the WEMA, rather than attempt to answer it here. (*Id*. at 6.)

In responding to ORA and TURN on this issue, PG&E disputed some of the details of their arguments, but largely agreed with their overall recommendations:

> All parties agree that the issue of incrementality is a fact-specific question that is more appropriately addressed in a future cost recovery proceeding. That said, ORA and TURN both offer comments on how the Commission might look at the question in a future proceeding. PG&E agrees with parties that these issues should be addressed in a future cost recovery proceeding, but nevertheless responds briefly to ORA's and TURN's comments here.

> ORA states that incremental costs are "costs that were not forecasted in the GRCs." SCE and SDG&E agree. PG&E also agrees. PG&E's proposed WEMA tariff already makes clear that costs authorized in the GRC are not eligible for tracking in the WEMA.
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> […]
>
> Again, all parties to this proceeding acknowledge that incrementality is a complicated, fact-specific issue that should be addressed in a future cost recovery proceeding and the Commission need not resolve the issue based on the record here. TURN asks the Commission to make clear that parties are free to challenge the incrementality of any expenses in a future cost recovery proceeding and that there is no presumption of incrementality for costs tracked to the WEMA. PG&E agrees that parties should be able to so.
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> The Commission has already made very clear that tracking costs to a memorandum account does not create a presumption that those costs are appropriate for recovery. As such, the Commission need not take any further action here to address the issue. (PG&E Reply Brief at 9-10, footnotes omitted.)

PG&E requested that related financing costs be eligible to be recorded in the WEMA. (PG&E Opening Brief at 7.) TURN argues that some financing costs may not be incremental, and accordingly should not be recorded, or at least not collectable in rates. (TURN Brief at 7-9.) Rather than attempt to define here what financing costs are or are not incremental, TURN argues that: "[T]he Commission should make clear that any financing costs that are booked to the memorandum account are subject to challenge and that booking of financing costs does not create a presumption that any such costs may be recovered in rates." (*Id*. at 8.) This approach is fundamentally the same as we have adopted for reviewing incrementality in general; accordingly we adopt the same approach for related financing costs.

For any and all costs recorded to the WEMA this decision does not modify the Commission's existing standards for determining eligibility for rate recovery.

2.3. Effective Date

PG&E requested in its application and a concurrently-filed motion that the WEMA go into effect on the date of filing of the application, July 26, 2017. (PG&E Opening Brief at 9-10; PG&E Reply Brief at 13-14.) At the PHC, TURN and ORA opposed PG&E's motion, and the assigned Administrative Law Judge (ALJ) expressed skepticism whether he could authorize by ruling the same request that was being presented to the Commission for approval. (Transcript vol. PHC at 12-15.) This is understandable, particularly since the scope of the WEMA was at issue before the Commission, and it would be difficult to grant a request to open a WEMA before the Commission determined the appropriate scope of the WEMA.

While PG&E expeditiously requested the creation of a WEMA, PG&E's request was not limited to Butte Fire costs, but rather requested a broader authorization of an ongoing WEMA that presented more significant issues to be addressed by the Commission, including potential future costs. These larger issues, presented in the context of a contested proceeding, made expedited approval of the WEMA both more difficult and less appropriate.[5] Yet as discussed previously, there are numerous administrative and time-efficiency advantages to authorizing a single WEMA that covers multiple events, as opposed to considering a new application every time there is a new wildfire. PG&E should not be penalized for pursuing this ultimately more efficient

[5] A WEMA request limited to Butte Fire costs may have been less contested, and may have been able to be addressed on a more expedited basis.

approach. Additionally, we do not believe the effective date for the WEMA should be dependent on the date that the Commission chooses to dispose of this application, as numerous factors outside of this proceeding may impact that date.

Furthermore, there is precedent for authorizing a memorandum account with an effective date prior to the Commission decision authorizing it, where the account is established not as a part of general ratemaking, but rather to account for unanticipated costs. D.09-06-053 states:

> We note that the statutory prohibition on retroactive ratemaking (Pub. Util. Code, § 728) does not apply to recovery of limited and specific costs previously incurred, where the Commission is not engaging in general ratemaking. By "ratemaking" the Court in Southern California Edison Co. v. Public Utilities Commission ("Southern California Edison") (1978) 20 Cal.3d 813, 816 means "general ratemaking." [Footnote omitted] The conservation OII is not a general ratemaking proceeding, and a memorandum account to track, and potentially recover, the costs of participating in this OII, is for the purpose of recovering a specific, very limited class of costs and thus, is not "general ratemaking."[6]

The *Southern California Edison* case cited above explains:

> If the prohibition against retroactive ratemaking is to remain a useful principle of regulatory law and not become a device to fetter the commission in the exercise of its lawful discretion, the rule must be properly understood. In [Pacific Telephone & Telegraph Co. v. Public Utilities Commission, 62 Cal. 2d 634] we construed Public Utilities Code section 728 to vest the commission with power to fix rates prospectively only. But we did not require that each and every act of the commission operate solely in futuro; our decision was limited to the act of promulgating "general rates." [...]

[6] *See* D.09-06-053 at 9:

At the risk of belaboring the obvious, we observe that before there can be retroactive ratemaking there must at least be ratemaking.[7]

The cases ORA cites do not dictate a different outcome. While the Commission made a memorandum account applicable in D.03-05-076 as of the date of its decision, its analysis of the retroactive ratemaking doctrine made clear that memorandum accounts themselves are a vehicle to avoid retroactive ratemaking:

> As SCE notes, the Commission has a longstanding practice of *establishing memorandum accounts to avoid retroactive ratemaking*:
>
> It is a well-established tenet of the Commission that ratemaking is done on a prospective basis. The Commission's practice is not to authorize increased utility rates to account for *previously* incurred expenses, unless, before the utility incurs those expenses, the Commission has authorized the utility to book those expenses into a memorandum account or balancing account for possible future recovery in rates. This practice is consistent with the rule against retroactive ratemaking.[8] D.03-05-076 at 6 (emphasis added in part and in original in part; footnotes in original; citations omitted).

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[7] *Southern California Edison Co. v. Public Utility Commission*, 20 Cal. 3d 813 (1978) at 816.

[8] *Southern California Water Co.*, Decision 92-03-094 (March 31, 1992), 43 Cal. P.U.C. 2d 600. *See also*, *Pacific Gas and Electric Co.,* Decision 02-07-032; (July 17, 2002), 2002 Cal. PUC LEXIS 441:

> Generally, it would be retroactive ratemaking to compensate utilities for costs incurred above the revenue requirement, unless a specific memorandum account is set up for that purpose. The Commission has specifically allowed certain memorandum accounts to mitigate the risks for certain costs that are beyond the utilities control.

See also, *Re Southern California Edison Co.*, Decision 99-11-057, (November 18, 1999), 1999 Cal. PUC LEXIS 769:

> Memorandum accounts were designed to allow utilities the opportunity to record costs incurred prior to the Commission's review of the costs for reasonableness. In order to carry out its ratemaking duties fairly and

Footnote continued on next page

It is true that the Commission went on to state that "the memorandum account can start to record debits or credits only prospectively from the date the account is authorized. In that way, if recorded costs are subsequently approved for recovery in rates, there will be no confusion or entanglement of issues regarding retroactive ratemaking." D.03-05-076 at 6 n.5, citing *Re Southern California Edison Co*., D.99-11-057, 1999 Cal. PUC LEXIS 769. However, the underlying decision, D.99-11-057, was reversed by the Court of Appeal. *Southern California Edison Co.,* 85 Cal. App. 4th 1086 (2000). The reversal was based on the utility's earlier filing of an advice letter, so it is unclear whether it would undermine D.99-11-057 here. The fact remains that D.99-11-057, on which ORA's cited case (D.03-05-076) relies, was reversed on appeal. The other case ORA cites, D.09-06-053, is likewise not persuasive, as the Commission rejected ORA's claim of retroactive ratemaking.

Additionally, as noted by SCE and SDG&E in their comments on the Alternate Proposed Decision, Resolution E-3761 and D.18-01-014 both approved memorandum accounts with an effective date prior to the date of adoption, and Public Utilities Code Section 1731(a) states that the Commission "may set the effective date of an order or decision prior to the date of issuance."[9] While this

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> orderly, the Commission has decided to parallel the prohibition against retroactive ratemaking by requiring that the establishment of a memorandum account not be retroactive. That is, the memorandum account can start to record debits or credits only prospectively from the date the account is authorized. In that way, if recorded costs are subsequently approved for recovery in rates, there will be no confusion or entanglement of issues regarding retroactive ratemaking.

[9] Joint Opening Comments of SCE and SDG&E on the Proposed Decision and Alternate Proposed Decision, at 3-4.

provision might not be relevant in a case of clear retroactive ratemaking, we find that making the WEMA applicable as of the date of the application does not constitute retroactive ratemaking. In light of the above statutory authority and Commission precedent, it is clear that the Commission has the authority to permit costs incurred prior to the date of adoption of this decision to be included in the WEMA.

As a result, approval of the WEMA is occurring now, with this decision, and we approve the recording of costs incurred as of the date PG&E filed its application. Accordingly, the effective date of PG&E's WEMA is the date it filed its application to establish a WEMA: July 26, 2017.

2.4. Tariff Language

TURN argues that PG&E's proposed tariff language fails to address the segregation of costs by event, and allows for the recording of non-incremental financing costs. (TURN Brief at 4, 7-8.) PG&E acknowledges the lack of cost segregation language, and proposes additional tariff language to address this issue. (PG&E Reply Brief at 8.) PG&E disagrees with TURN regarding the tariff's proposed language regarding financing costs, arguing that TURN is attempting to define incrementality here, rather than in a more appropriate cost recovery proceeding. (*Id*. at 10-11.) PG&E also argues that the tariff language does not need to enunciate the standard ultimately to be applied for cost recovery.

(*Id*. at 11-12.)

PG&E is correct that the tariff language should not attempt to define which financing costs are or are not incremental, and need not address the applicable cost recovery standard, but PG&E's proposed tariff language is missing clear language that all costs authorized to be recorded to the WEMA must be

incremental. That language needs to be added to the tariff. In addition, while the tariff language does not need to define what is incremental, it would be useful for the tariff language to also indicate that any cost recovery of amounts recorded in the WEMA is limited to incremental costs, consistent with this decision. PG&E is directed to file revised tariff language consistent with this decision via advice letter no later than 60 days from the date of this decision.

3. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Allen and the alternate proposed decision of Commissioner Liane M. Randolph in this matter were mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by PG&E, ORA, TURN and jointly by SCE and SDG&E, and reply comments were filed by PG&E, TURN, and jointly by SCE and SDG&E.

In its comments, PG&E states:

> PG&E requests that the PD and APD be revised to clarify that PG&E should treat WEMA-eligible costs that may not be specific to a particular wildfire event, such as insurance premiums not in rates, in similar fashion to those that are event specific. Specifically, PG&E would segregate those costs by cost type, track them in separate sub-accounts by cost type in the WEMA so they could be reviewed by the Commission independently of other WEMA costs, and would inform the Commission via the advice letter notification process when new cost types are booked to the WEMA. (PG&E Comments at 6.)

TURN opposes this change, arguing that this would result in a WEMA that is "more open-ended than what was contemplated by the PD and APD." (TURN Reply Comments at 1.) According to TURN, PG&E's request to track costs that are not event-specific, such as insurance premiums, is contrary to PG&E's earlier

assertion that it would implement procedures to track costs on an event-by-event basis, segregating costs by event. (*Id*.)

TURN is incorrect. PG&E can track event-specific costs on an event-by-event basis, but PG&E did also request authority to track non-event-specific costs, such as insurance premiums. (PG&E Application at 11, PG&E Opening Brief at 4.) Accordingly, the proposed decision is modified to allow non-event-specific wildfire costs to be tracked in the WEMA. Those costs should also be segregated so that the Commission will be able to review those costs in detail.

No other changes were made to the proposed decision in response to comments.

4. Assignment of Proceeding

Liane M. Randolph is the assigned Commissioner and Peter V. Allen is the assigned ALJ in this proceeding.

Findings of Fact

1. PG&E has incurred costs related to the Butte Fire.
2. PG&E has incurred or is likely to incur costs related to subsequent wildfire events.
3. PG&E's wildfire-related costs may be substantial.
4. Some of PG&E's wildfire-related costs may not be recoverable in a general rate case or otherwise.
5. Approving one ongoing WEMA is less resource-intensive than approving multiple individual WEMAs.
6. An ongoing WEMA can segregate costs associated with multiple wildfire events.

7. The substantive effect of approving one ongoing WEMA is likely to be similar to the effect of approving multiple individual WEMAs.

8. PG&E's proposed tariff language does not clearly indicate that only incremental costs may be recorded to the WEMA.

Conclusions of Law

1. PG&E's request for an ongoing WEMA should be approved.

2. The Commission may make the WEMA effective as of the date of PG&E's application.

3. Only incremental costs should be recorded in the WEMA.

4. Costs recorded in the WEMA should be segregated by wildfire event, with notice to the Commission of each event. Costs that are not specific to a particular wildfire event, such as insurance premium costs, should be segregated by cost type, with notice to the Commission when new cost types are recorded to the WEMA.

5. The specific criteria for rate recovery of costs recorded in the WEMA should be addressed in separate rate recovery proceedings.

6. PG&E's WEMA tariff language should be consistent with this decision.

7. The Commission may order PG&E to discontinue the WEMA.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to establish a Wildfire Expense Memorandum Account.

2. Pacific Gas and Electric Company is directed to file its tariff implementing the Wildfire Expense Memorandum Account via Tier 2 Advice Letter no later than 60 days from the date of this decision.

3. The Wildfire Expense Memorandum Account tariff language must specify that only incremental costs may be recorded in the account, and that entries in the account will be segregated by wildfire event, or by cost type for costs not specific to a wildfire event.

4. For each new wildfire event or each new cost type not specific to a wildfire event to be included in the Wildfire Expense Memorandum Account, Pacific Gas and Electric Company is to file a Tier 1 Advice Letter.

This order is effective today.

Dated June 21, 2018, at San Francisco, California.

MICHAEL PICKER
President
CARLA J. PETERMAN
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
Commissioners