

Decision 19-10-011 October 10, 2019

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

Application of Pacific Gas and Electric Company (U39E) for Commission Approval Under Public Utilities Code Section 851 to Sell the Deer Creek Hydroelectric Project to Nevada Irrigation District.

Application 19-01-009

**DECISION AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY SALE OF DEER CREEK HYDROELECTRIC PROJECT TO NEVADA IRRIGATION DISTRICT**

**Summary**

This decision grants Pacific Gas and Electric Company's (PG&E's) application pursuant to Public Utilities Code Section 851 to sell the Deer Creek Hydroelectric Project to the Nevada Irrigation District (NID). PG&E is authorized to enter into and carry out the Purchase Sale Agreement, Coordinated Operations Agreement, and the Deer Creek Development Wheeling Agreement. The sale of this hydroelectric project is authorized by statute and is in the public interest. Further, PG&E's proposed approach to ratemaking is approved with the exception of the Prehearing Conference Stipulation reached by The Utility Reform Network and PG&E, with which PG&E and NID shall comply. There will be no adverse environmental impact as a result of the sale. This proceeding is closed.

## 1. Background

On January 22, 2019, Pacific Gas and Electric Company (PG&E) filed an application under Public Utilities Code Section (§) 851,<sup>1</sup> and Decision (D.) 99-04-015 requesting that the California Public Utilities Commission (CPUC or Commission) authorize the sale by PG&E of the Deer Creek Hydroelectric Project (Project or Deer Creek Development) to the Nevada Irrigation District (NID) as set forth in the Purchase and Sale Agreement (PSA), dated November 30, 2018. PG&E requests that the CPUC approve the requested ratemaking treatment and acknowledge that the Conservation Easement(CE) conveyance to the Bear Yuba Land Trust (BYLT) proposed in association with the transaction is in accordance with terms and conditions specified in PG&E's bankruptcy Settlement Agreement (Settlement) and related Stipulation Resolving Issues Regarding the Land Conservation Commitment (Stipulation), approved by the CPUC in D.03-12-035.<sup>2</sup>

Finally, as explained in the Application, "[a] condition precedent to the consummation of the sale under the PSA" is the CPUC's issuance of any approval of two related agreements between PG&E and NID, known as the Coordinated Operations Agreement (COA) and the Deer Creek Development Wheeling Agreement (WA), that the CPUC determines is required.<sup>3</sup>

The Utility Reform Network (TURN) filed a protest on February 25, 2019 and raised issues regarding ratemaking treatment. TURN stated it did not have an issue with the proposed ratemaking approach assuming that the sale transaction takes place in 2019. PG&E proposed to reduce its 2019 based

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<sup>1</sup> Unless otherwise indicated, all code section references are to the Public Utilities Code.

<sup>2</sup> The conveyance of the CE from NID to BYLT will be effectuated pursuant to the terms of the PSA.

<sup>3</sup> Application at 10.

revenues to reflect the sale and have the amount of that adjustment presented and reviewed in test year 2020 General Rate Case. This is consistent with the ratemaking approach the utility took regarding the sale of the Narrows Project, an approach that resolved some of TURN's issue with that project.

However, PG&E estimated that the transaction will result in a pre-tax loss on sale of \$32.3 million and proposed to assign that amount to ratepayers under the CPUC's gain-on-sale policy. The utility would have this loss recorded as a one-time credit to the Utility Generation Balancing Account (UGBA). TURN submitted that a loss of this magnitude should be amortized over a three-year period to mitigate the impact on the authorized revenue requirement, and, by extension, rates. TURN conditionally protested PG&E's application on this point.

PG&E filed a response to TURN's protest on March 7, 2019. It stated that a conference call took place on February 28, 2019 in which PG&E agreed to consider amortizing the pre-tax loss on the sale over three years. PG&E also agreed to provide some confidential workpapers underlying its net present value analysis of the alternative paths under a non-disclosure agreement with TURN.

By Ruling dated March 8, 2019, a prehearing conference (PHC) was set for March 28, 2019.

On March 28, 2019, a PHC was held to determine the parties, positions of the parties, issues, and other procedural matters. At the PHC, Public Advocates Office, Pioneer Community Energy, and NID were granted party status. At the PHC, PG&E and TURN presented a Stipulation that would address the above issues. (*See* Section 5.2 "Ratemaking Treatment.")

On March 29, 2019, in response to a verbal request made at the PHC, consistent with the Commission's Rule 11.6, the Assigned Administrative Law

Judge (ALJ) granted an extension of time for parties to file a protest or response to PG&E's application by Thursday, April 11, 2019 and reply comments to any protests and responses by Thursday, April 18, 2019. No party filed a protest or response.

At the PHC, parties agreed that the CPUC has sufficient information (PG&E's Application, existing testimony (*see* marked exhibits listed above), and stipulation reached by PG&E and TURN<sup>4</sup>) for the CPUC to issue an order in this proceeding. Therefore, based on the outcome of the PHC, and given that no further responses or protests were filed by parties after the PHC, there was no further activity in this proceeding. On June 18, 2019, the assigned Commissioner issued a Scoping Ruling and the matter was submitted on this same date.

## **2. Issues Before the Commission**

As discussed at the PHC, the issues to be determined are:

1. Whether the CPUC should approve PG&E's proposed Sale of the Project to NID, including whether the proposed sale is in the public interest (social, political, economic);
2. Whether the CPUC should approve PG&E's ratemaking treatment of the proposed sale;
3. Whether the CPUC should authorize PG&E to enter into the Coordinated Operations Agreement with NID; (discussed in Section VIII(J));
4. Whether the CPUC should authorize PG&E to enter into the Deer Creek Development Wheeling Agreement with NID (discussed in Section VIII(J));
5. Whether the conveyance of the Conservation Easement (CE) is in accordance with terms and conditions specified in the Settlement and related Stipulation approved by the CPUC in D.03-12-035.

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<sup>4</sup> PHC Transcript at 14-15.

- Is the conveyance of the CE from PG&E to NID in line with Stewardship Council recommendations?

### **3. Compliance with the California Environmental Quality Act (CEQA)**

The California Environmental Quality Act (CEQA) as amended applies to discretionary projects to be carried out or approved by public agencies. (Public Resources Code Section 2100 et seq.) A basic purpose of CEQA is to inform governmental decision-makers and the public about potential, significant environmental effects of the proposed activities or projects. However, “NID has informed PG&E that it does not propose any change in its operation of the Project or stewardship of the interests in land to be conveyed to it, with the exception of the protective covenants set forth in the CE, with which NID will comply.”<sup>5</sup> Therefore, NID concluded that the Project is exempt under CEQA. (See Notice of Exemption (NOE) or Attachment G to the Application.)

Under CEQA, when a project is to be approved by more than one public agency, only one agency becomes the lead agency. The lead agency has the greatest responsibility for supervising or approving a project. (14 Cal Code Regs. §§15050 or 15051.) In this case, the *lead agency* is NID, since it has primary responsibility for implementing the Project. The CPUC is the *responsible agency* because it has jurisdiction to authorize the Project in consideration of the lead agency’s (NID’s) findings. In conformance with the CPUC’s *responsible agency* role, the CPUC’s CEQA Unit has reviewed NID’s determination and agrees that there are no significant environmental impacts associated with the Project and that no mitigation is required.

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<sup>5</sup> Application at 8.

#### **4. Exhibits**

At the PHC, the following exhibits were marked for identification: (All the documents have the same title: “Pacific Gas & Electric Company. S851 Deer Creek Hydroelectric Project Sale.”)<sup>6</sup>

1. Exhibit No. PG&E-01 - “Prepared Testimony Public Version”
2. Exhibit No. PG&E-02 -C “Prepared Testimony Confidential Version”
3. Exhibit No. PG&E-03 - “Attachment-A to Application 19-01-009”
4. Exhibit No. PG&E-04 - “Attachments B through J to Application 19-01-009”

No party disputed material facts in these Exhibits. Therefore, it is reasonable to enter them as listed above into the record for consideration in this decision.

#### **5. Discussion and Analysis**

Each of the issues before the Commission will be discussed in turn.

##### **5.1. Proposed Sale of the Project and the Public Interest**

The sale of the Project to NID is in the public interest for several reasons.<sup>7</sup>

The sale of the Project to NID is in the public interest of customers as it is the lowest cost path forward for the Project even though the proposed sale will result in an estimated pre-tax loss of \$32 million from an accounting perspective. In other words, the sale of the Project provides the most financial savings to customers when compared to PG&E retaining ownership of and operating the

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<sup>6</sup> Transcript at 26-27.

<sup>7</sup> See Exhibit No. PG&E-01 - “Prepared Testimony Public Version” at 1-4 through 1-5.

Project or decommissioning the Project.<sup>8</sup> This is especially true when one considers that operating costs of small hydroelectric assets are expected to increase due to a variety of potential future regulatory requirements and aging infrastructure issues.

In addition to reduced costs, the Project provides other substantial benefits.<sup>9</sup> The Project will provide non-flexible base load energy and dispatch in accordance with NID's water supply needs. Removal of Deer Creek from PG&E's Utility Owned Generation is a portfolio optimization and cost reduction activity to address PG&E's excess energy supply. PG&E has determined that the proposed sale of the Project to NID will not interfere with PG&E's operations or PG&E's ability to provide safe and reliable utility service to its customers.

The negotiated purchase price of the Project of a nominal one dollar (\$1.00) is reasonable based on the estimated fair market value provided by Bodington & Company, a brokerage firm specializing in financing selling, purchasing and restructuring, and appraising of electric generation facilities. As of December 31, 2018, Bodington & Company estimated the fair market value of the Project to be \$7.5 million (negative seven and a half million dollars).<sup>10</sup>

Last but not least, the sale of the Project satisfies the requirement of §851 in order to be approved. §851 states in part that no public utility "shall sell, lease,...or otherwise dispose of or encumber the whole or any part of...property necessary or useful in the performance of its duties to the public,...without first having secured from the Commission an order authorizing it to do so." A an integral part of the Commission's decision-making process in reviewing a

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<sup>8</sup> Application at 3.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*, at 4

§851 application, the Commission may “take such action, as a condition to the transfer, as the public interest may require.”

In D.03-02-022, we found that prior to allowing a sale of electric generating plants, we must find that “the...facility is no longer used and useful as defined in §851.<sup>11</sup> As discussed above, we found this criterion was met: For example, The hydroelectric facilities at issue are old and uneconomic for PG&E to operate and maintain. Due to changes in PG&E’s generation load, the hydroelectric facilities are not a component in PG&E’s ability to provide safe and reliable service.

## **5.2. Ratemaking Treatment of the Project for Allocation of Loss on Sale**

We agree with PG&E’s ratemaking approach for net sale proceeds since it is in accordance with the Commission’s policy for allocation of gains/losses from the sale of utility assets adopted in the Commission’s Gain on Sale of Utility Assets decision, D.06-05-041, as modified by D.06-12-043:

Rate base and CWIP [construction work in progress will] be reduced by the amount of the historical loss less depreciated value and the net sale proceeds at the time the sale closes...

The loss on the sale (approximately \$32.3 million) will be credited to the Utility Generation Balancing Account (UGBA) as authorized utility-owned generation revenue requirement...

The revenue requirement associated with the Project’s retired rate base and associated estimated operating and maintenance (O&M) costs included as part of the 2020 General Rate Case (GRC) will be reduced from the base revenues recovered in customer rates for the months after the sale closes.

Because the sale transaction will presumably take place in 2019, we agree with PG&E and TURN’s Stipulation presented at the PHC:

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<sup>11</sup> 2003 Ca. PUC LEXIS 112, at 2.

TURN recommends that the loss-on-sale be amortized and recovered over a three-year period rather than the loss be recorded to the Utility Generation Balancing Account in the year the sale closes as proposed by PG&E. PG&E will stipulate to revising the recovery period from one year to three years. Historically, PG&E has requested a return on the unrecovered portion of the regulatory asset established for the loss-on-sale and its authorized cost of capital. In this case, PG&E would agree to a lower return in the form of the commercial paper rate that is applied to balancing accounts.<sup>12</sup>

In particular, it makes sense to amortize the loss-on-sale over a three-year period to mitigate the impact on the authorize revenue requirement, and by extension, rates.

We also agree with PG&E that the final calculation of the loss-on-sale and tax information should be provided to the CPUC in a Tier 1 advice letter submittal to the CPUC's Energy Division (ED) within 30 days following closing. This process should be consistent with D.02-12-020, which addressed the sale by PG&E of streetlight facilities to the City of Manteca, and D.16-10-026, which used a similar process in the Merced Falls Hydroelectric Project Sale to Merced Irrigation District.

### **5.3. Coordinated Operations Agreement and Wheeling Agreement**

As noted, the Application explains that “[a] condition precedent to the consummation of the sale under the PSA” is the CPUC's issuance of any approval of two related agreements between PG&E and NID, the Coordinated Operations Agreement (COA) and the Deer Creek Development Wheeling Agreement (WA), that the CPUC determines is required.<sup>13</sup> Specifically, the

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<sup>12</sup> PHC Transcript at 14-15.

<sup>13</sup> Application at 10. The executed versions of the COA and WA are included with the Application as Attachments H and I, respectively.

PG&E and NID request that the CPUC review the COA and WA and determine if either of these agreements are subject to the CPUC's jurisdiction, in whole or in part.<sup>14</sup> PG&E and NID further request that if the CPUC determines that any portion of either agreement is subject to its jurisdiction, that the CPUC approve those portions of the agreement(s).<sup>15</sup>

### **5.3.1. Coordinated Operations Agreement**

According to the Application, "the COA succeeds Part II of the 1963 Nevada Irrigation District and Pacific Gas and Electric Company Consolidated Contract" (Consolidated Contract).<sup>16</sup> As relevant here, Part II of the Consolidated Contract "established the terms of the coordinated operation of NID's Yuba-Bear Project and PG&E's Drum-Spaulding Project."<sup>17</sup> The Deer Creek Development is part of the Drum-Spaulding Project.<sup>18</sup> The CPUC authorized PG&E to enter into Part II of the Consolidated Contract with NID on July 9, 1963.<sup>19</sup> The Consolidated Contract expired on July 1, 2013 and PG&E and NID are currently coordinating operations of the Drum-Spaulding Project and the Yuba-Bear Project pursuant to successive annual extensions of the expired agreement.<sup>20</sup> In short, as described more fully by PG&E in the Application and in the COA itself, the COA "is an agreement between PG&E and NID that replaces the expired Consolidated Contract and provides for the continued

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<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> CPUC D.65654 at 2, Ordering Paragraph No. 1.

<sup>20</sup> Application at 11.

coordinated operations of NID's Yuba-Bear and PG&E's Drum-Spaulding Projects."<sup>21</sup>

#### **5.4. Deer Creek Development Wheeling Agreement**

As described in the Application, the Deer Creek Development Wheeling Agreement (WA) "is an agreement between PG&E and NID to memorialize PG&E's obligation to convey and deliver NID water through certain portions of the Drum-Spaulding Project to the Deer Creek Development following the closing of the PSA."<sup>22</sup> The Application refers to PG&E's responsibilities under the WA as its "Wheeling Obligation."<sup>23</sup> PG&E states that the Wheeling Obligation "is necessary to ensure the continued reliable operation of the Deer Creek Development" after its sale by PG&E to NID, "by requiring PG&E to wheel NID water through those portions of the Drum-Spaulding Project located upstream of the Deer Creek Project which are retained by PG&E."<sup>24</sup> The Application explains that PG&E will comply with the Wheeling Obligation "in accordance with the terms and the conditions of the COA during the term of the COA, and pursuant to the terms of the Wheeling Agreement upon expiration or termination of the COA."<sup>25</sup>

#### **5.5. CPUC Determination**

The CPUC has considered the Parties' requests pertaining to the COA and WA and finds that PG&E's execution and carrying out of the terms of both agreements will not be adverse to the public interest, particularly given that the

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<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> *Id.* at 12 (*citing* Application, Attachment I, WA, at 3 (Section 3.1 (a-b))).

Parties will continue to operate the Yuba-Bear Project and PG&E's Drum-Spaulding Project as they have in the past.<sup>26</sup> Further, as explained above, the sale of the Deer Creek Development to NID is the least costly option for ratepayers, as compared to the cost of PG&E continuing to own and operate the Project or decommissioning the Project in accordance with a Federal Energy Regulatory Commission (FERC) proceeding. As both the COA and WA are necessary components of the proposed transfer,<sup>27</sup> and PG&E's costs to continue its operation of the Drum-Spaulding Project in accordance with the COA and WA is nominal in comparison to the aforementioned economic benefit to ratepayers, the CPUC authorizes PG&E to enter into and carry out both agreements.

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<sup>26</sup> See Application, Attachment G, Notice of Exemption for Deer Creek Development Purchase and Sale Agreement, Nevada Irrigation District, at 2 (explaining that "NID does not propose any change in operation of the Deer Creek Development or stewardship of the interests in land to be conveyed to it, with the exception of the protective covenants set forth in the Deed of Conservation Easement, with which NID will comply.").

<sup>27</sup> Neither the COA nor WA become effective unless and until PG&E obtains from the CPUC any necessary approval of the agreements. See *e.g.*, Wheeling Agreement, Application, Attachment I (Section 1.3).

**5.6. Appropriate Conveyance of the Conservation Easement in Accordance with Terms and Conditions Specified in the Settlement and Related Stipulation Approved by the Commission in D.03-12-035.**

In this decision, the CPUC determines that the CE conveyance to BYLT proposed in association with the transaction is in accordance with the terms and conditions in PG&E's Bankruptcy Settlement Agreement (Settlement) and related Stipulation Resolving Issues Regarding the Land Conservation Commitment (Stipulation), approved by the Commission in D.03-12-035. The primary goal of the Settlement and Stipulation was to protect approximately 140,000 acres of watershed lands associated with its hydroelectric generating systems for a broad range of Beneficial Public Values (BPVs), including protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historical values.<sup>28</sup>

PG&E, NID, and the Stewardship Council Board of Directors accepted and approved a Land Conservation and Conveyance Plan (LCPP) describing the proposed encumbrance of Real Property with a perpetual CE to be held by BYLT and which addressed all requirements set forth in the Settlement and Stipulation. The CE will be conveyed from NID to BYLT upon close of the Deer Creek sale.

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<sup>28</sup> Application at 6. BPVs for the CE are described in Section 4 of the application.

## 6. Relationship to Other Proceedings

As to the relationship of this proceeding to the concurrent FERC proceeding, PG&E states:

The Deer Creek Project is licensed as part of PG&E's Drum-Spaulding Project.<sup>29</sup> The Drum-Spaulding Project expired in April 2013 and has been administratively extended annually by FERC. PG&E's application for license renewal is pending. PG&E has applied to the FERC for a separation of Deer Creek Project from the Drum-Spaulding Project. If FERC approves the separation, a new license would be created that applies to Deer Creek and its associated facilities alone.<sup>30</sup>

In this proceeding PG&E is seeking approval from the CPUC of the sale of the Deer Creek Project, and the CPUC will conduct its proceedings on the assumption that PG&E will obtain whatever FERC approval for the transaction may be required in its pending separate application/s for license renewal, separation of assets, and asset transfer. The FERC process involves a review of the qualifications of NID to hold the license and operate the project; it also ensures that PG&E consulted with relevant federal and state agencies, tribal governments, local governments, non-governmental agencies, and other interested parties.

Similarly, the CPUC will conduct its proceedings on the assumption that PG&E will obtain whatever Bankruptcy Court approval for the transaction that may be required in its pending Chapter 11 case.

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<sup>29</sup> FERC License No. 2310.

<sup>30</sup> Application at 9. CPUC and FERC approval processes occur simultaneously.

Public Utilities Code § 854.2 defines “change of control” events and statutory requirements that are triggered when a “change of control” event occurs. Section 854.2(b)(1)(A) defines “change of control” as an “event that triggers the application of Section 851 or 854.” PG&E requests approval in this application under § 851, which would typically trigger the “change of control provisions” of § 854.2. Section 853(b) states “[t]he commission may...exempt any public utility...from this article if it finds that the application thereof with respect to the public utility...is not necessary in the public interest.”

Accordingly, the Commission exempts this application from the change of control requirements contained in Section 854.2.

## **7. Schedule**

At the PHC, and discussed above, parties agreed that the Commission has sufficient information (PG&E’s Application, existing testimony (*see* marked exhibits listed above), and stipulation reached by PG&E and TURN<sup>31</sup>) for the Commission to issue an order in this proceeding. Subsequently, the matter was submitted on June 18, 2019.

## **8. Categorization and Need for Hearing**

In Resolution ALJ 176-3431, issued on January 31, 2019, the Commission preliminarily categorized this application as ratesetting. At the PHC parties agreed that the PHC Stipulation adequately resolved all disputed issues. Therefore, the Scoping Memo determined that evidentiary hearings were not needed.

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<sup>31</sup> Transcript at 14-15.

## **9. Waiver of Comment Period**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311 (g)(2) of the Public Utilities Code and Rule 14.6 (c)(2) of the Commission's Rules of Practice and Procedure, the otherwise 30-day period for public review and comment is waived.

## **10. Assignment of Proceeding**

Marybel Batjer is the assigned Commissioner and Colette E. Kersten is the assigned Administrative Law Judge in this proceeding.

## **Findings of Fact**

1. The hydroelectric facilities at issue are old and uneconomic for PG&E to operate and maintain.
2. Due to changes in PG&E's generation load, the hydroelectric facilities are not a component in PG&E's ability to provide safe and reliable service.
3. The proposed sale of the Project to NID as contemplated in the Application is the least costly option for ratepayers as compared to the cost of PG&E continuing to own and operate the Project or decommissioning the Project in accordance with a FERC proceeding.
4. The proposed sale of the Project to NID provides substantial economic benefits to ratepayers.
5. PG&E's cost to continue its operation of the Drum-Spaulding Project in accordance with the COA and WA is nominal in comparison to the economic benefit to ratepayers that the sale of the project provides.
6. The COA and WA are necessary components of the proposed transfer as both agreements are expressly conditioned on PG&E obtaining any necessary CPUC approval prior to the agreements becoming effective.

7. The negotiated purchase price of the Project of a nominal one dollar (\$1.00) is reasonable based on the estimated fair market value of negative \$7.5 million provided by Bodington & Company, a brokerage firm specializing in the financing, selling, purchasing, restructuring, and appraising of electric generation facilities.

8. PG&E, NID and the Stewardship Council Board of Directors accepted and approved a LCPP describing the proposed encumbrance of Real Property with a perpetual CE to be held by BYLT and which addressed all requirements set forth in the Settlement and Stipulation.

9. NID is the lead agency of the Project for purposes of CEQA.

10. As the responsible agency for CEQA, the CPUC finds that the environmental documents submitted by NID (NOE) are adequate to support the approval of the Project.

### **Conclusions of Law**

1. The sale of the hydroelectric project is authorized pursuant to § 851.

2. The sale is in the public interest.

3. PG&E should be authorized to enter into the PSA attached as Attachment A to its application with NID.

4. The CPUC should authorize PG&E to enter into and carry out the COA and WA.

5. The CPUC is the responsible agency for CEQA purposes in authorizing this PSA.

6. PG&E's proposed approach to ratemaking should be approved with the exception of the PHC Stipulation reached by TURN and PG&E, with which PG&E and NID should comply. Among other things, the gain/loss on sale

should be amortized over a three-year period to mitigate the impact on the authorized revenue requirement, and, by extension, rates.

7. The estimated resulting pre-tax loss from this transaction of \$32.3 million should be treated consistent with the percentage allocation rules adopted in the CPUC's Gain on Sale of Utility Asset decision D.06-05-041, as modified by D.06-12-043.

8. After close of the PSA, PG&E should true-up the final financial information as of the closing of the sale and provide it to the CPUC in a Tier 1 compliance advice letter filing submitted to ED within 30 days following closing. The financial information should consist of the final calculation of the loss-on-sale and tax information related to the transaction.

9. The following exhibits should be entered into the record:

- a. Exhibit No. PG&E-01 - "Prepared Testimony Public Version"
- b. Exhibit No. PG&E-02 -C "Prepared Testimony Confidential Version"
- c. Exhibit No. PG&E-03 - "Attachment-A to Application 19-01-009"
- d. Exhibit No. PG&E-04 - "Attachments B through J to Application 19-01-009"

10. Evidentiary hearings were not necessary.

11. Application 19-01-009 should be closed.

## **ORDER**

**IT IS ORDERED** that:

1. Pursuant to Public Utilities Code § 851, Pacific Gas and Electric Company is authorized to enter into the Purchase and Sale Agreement attached as Attachment A to its application with the Nevada Irrigation District.

2. Pacific Gas and Electric Company is authorized to enter into and carry out the Coordinated Operations Agreement and the Deer Creek Development Wheeling Agreement.

3. Pacific Gas and Electric's (PG&E's) proposed approach to ratemaking is approved with the exception of the Prehearing Conference Stipulation reached by The Utility Reform Network and PG&E, with which PG&E and the Nevada Irrigation District shall comply. Among other things, the gain/loss on sale shall be amortized over a three-year period to mitigate the impact on the authorized revenue requirement, and, by extension, rates.

4. After close of the Purchase Sale Agreement, Pacific Gas and Electric Company shall true-up the final financial information as of the closing of the sale and provide it to the California Public Utilities Commission in a Tier 1 compliance advice letter filing submitted within 30 days following closing. The financial information should consist of the final calculation of the loss-on-sale and tax information related to the transaction.

5. The following exhibits are entered into the record:

- a. Exhibit No. PG&E-01 - "Prepared Testimony Public Version"
- b. Exhibit No. PG&E-02 -C "Prepared Testimony Confidential Version"
- c. Exhibit No. PG&E-03 - "Attachment-A to Application 19-01-009"
- d. Exhibit No. PG&E-04 - "Attachments B through J to Application 19-01-009"

6. Evidentiary hearings are not necessary.

7. Application 19-01-009 is closed.

This order is effective today.

Dated October 10, 2019, at San Francisco, California.

MARYBEL BATJER

President

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

Commissioners