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August 3, 2026

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Sacramento, CA 95814
Docket 23-LMS-01

RE: Pacific Gas and Electric (PG&E) Application for Modification to its Approved Load Management Standards Compliance Plan

Dear Mr. Bohan:

PG&E is submitting this application for modification to PG&E's California Energy Commission (CEC) Load Management Standards (LMS) Compliance Plan that was submitted to the 23-LMS-01 docket on March 18, 2025, and approved on May 8, 2025, by the CEC.

Thank you for your consideration of this request. To best support the revised timing outlined in this application, PG&E seeks resolution of this matter prior to December 15, 2026. Please do not hesitate to contact me should you have any questions or need additional information.

With regards,

/s/ Josh Harmon

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Table of Contents

Executive Summary.....	1
1. Introduction	2
2. LMS Regulatory Background and Basis for Modification Request	5
2.1 The CEC’s Load Management Standards.....	5
2.2 LMS Guidance on Compliance Plan Modification Requests	6
2.3 LMS Guidance on Hourly Marginal Cost Rates	7
3. Requested Modifications to Compliance Pathway and Timing	9
3.1 Summary of Regulatory and Implementation Timing from 2023 Plan	9
3.2 Developments that Have Shaped PG&E’s Revised LMS Compliance Approach	11
a. RTP Developments 2023-2026.....	11
b. RTP Pilot Learnings and Proposed Changes	14
c. Implementation Considerations	15
3.3 Request to Modify PG&E’s Plan for Implementing Transmission RTP.....	17
3.4 HFP Availability and Plan for Implementation of NEM and NBT with RTP Rates.....	20
a. HFP Availability Across Customer Classes	20
b. HFP Availability for NEM and NBT Customers	22
3.5 Revised Regulatory and Implementation Timeline	24
a. PG&E’s Stop-Gap Proposal for an Hourly Flex Pricing (HFP) 2.0	24
b. Incorporating a Transmission RTP Price	27
c. Billing Modernization and Post-Pilot RTP Rates	27
4. Next Steps.....	27
5. Attachments	28
A. Definition of Key Terms used in this Application and PG&E’s Stop-Gap Proposal.	
B. PG&E’s Testimony Supporting Stop-Gap Interim RTP Pilots Extension Proposal, submitted to the California Public Utilities Commission on June 8, 2026 in A.24-09-014.	
C. Pacific Gas and Electric Company 2020 General Rate Case Phase II Transmission Time-of-Use Rate Study Report, submitted to the CPUC on November 18, 2022 in A.19- 11-019.	

Executive Summary

Pacific Gas and Electric Company (PG&E) respectfully submits this application for modification to its approved 2023 California Energy Commission (CEC) Load Management Standards (LMS) Compliance Plan. The modifications reflect an updated regulatory pathway before the California Public Utilities Commission (CPUC) for continuing to make hourly marginal cost-based rates available to customers, while improving the design and implementation readiness of those rates. PG&E is requesting approval to modify its LMS compliance pathway as summarized in the table below:

Element of Approved Plan	Requested Modification	Why Modification Needed
PG&E estimated a CPUC decision on its post-pilot Real-Time Pricing (RTP) rate application by Q3 of 2026 and that PG&E would provide post-pilot RTP rates by January 1, 2027	To continue offering hourly marginal cost-based rates, on June 8, 2026, PG&E proposed, before the CPUC, to extend its existing Hourly Flex Pricing (HFP) pilot rate offerings through 2028 and then implement an enhanced “HFP 2.0” structure that would be put in place by January 1, 2029, or sooner subject to regulatory approvals and implementation constraints. The pilot extension and enhancement would serve as a “Stop-Gap” solution until post-pilot rates are approved by the CPUC and are able to be built in PG&E’s modernized billing system (estimated to be 2032).	CPUC regulatory directives, timelines and processes for PG&E’s post-pilot RTP rate application and implementation have changed. PG&E has also identified needed improvements to the RTP rate and program design based on learnings from its pilots that will be incorporated into HFP 2.0.
NEM and NBT Participation was not clearly specified	Participation by Net Energy Metering (NEM) and Net Billing Tariff (NBT) customers will be enabled when HFP 2.0 is implemented (January 1, 2029).	The simplified HFP 2.0 structure is better suited to customers with onsite generation and exports.
Transmission price component in place by January 1, 2027	Phased approach targeting final hourly transmission pricing (transmission RTP) for post-pilot (estimated to be January 1, 2032) or	Stabilizing the existing distribution RTP component delayed the prior timeline. The

Element of Approved Plan	Requested Modification	Why Modification Needed
	earlier in later stages of HFP 2.0; first incorporating a TOU transmission component into HFP 2.0 (January 1, 2029) and evaluating whether that TOU design can include additional dynamic pricing elements.	proposed phased approach reduces implementation risk and supports RTP efficacy evaluation and PG&E-specific cost-causation analysis before incorporation of full transmission RTP.

PG&E submits that the sequencing and timing reflected in its Approved 2023 LMS Compliance Plan are no longer feasible due to changes in regulatory timelines, needed enhancements based on learnings from ongoing Real-Time Pricing (RTP) pilots, and limitations associated with PG&E’s current billing systems. Accordingly, PG&E requests targeted modifications that will maintain customer access to hourly marginal cost-based RTP rates while providing a practical pathway to achieve the regulatory, rate-design, and technology milestones needed for long-term implementation of LMS-structured rates. PG&E will continue pursuing the necessary CPUC and FERC approvals and implementation milestones, while keeping the CEC informed of material developments affecting the proposed timeline.

1. Introduction

Pacific Gas and Electric Company (PG&E) respectfully submits this application for modification (AFM or application) to its Load Management Standards (LMS) Compliance Plan that was approved by the California Energy Commission (CEC) on May 8, 2025.¹ In the AFM, we refer to PG&E’s approved compliance plan as PG&E’s “Approved 2023 LMS Compliance Plan” or “approved compliance plan” or “approved plan”.

PG&E seeks modification of its Approved 2023 LMS Compliance Plan to reflect updated implementation pathways for continuing to make hourly marginal cost-based rates

¹ This approved plan is titled “PG&E’s Second Revised Load Management Standards Compliance Plan, current as of January 1, 2025, with minor grammatical revisions added on February 24, 2025” and can be found at the CEC’s LMS Docket (23-LMS-01):

<https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=23-lms-01>

available to its customers by January 1, 2027 while improving these rate offerings based on learnings from PG&E's current RTP pilots and facilitating successful implementation of RTP in PG&E's planned modernized billing system.

PG&E seeks approval of the following updates to PG&E's LMS Compliance Plan:

- A. Continuing to make hourly marginal cost-based rates available to customers – by and after January 1, 2027 – through extending PG&E's existing RTP pilots under an enhanced rate design and program structure, called Hourly Flex Pricing (HFP) 2.0 until post-pilot rates are approved by the CPUC and built in PG&E's modernized billing system (estimated to be January 1, 2032);
- B. Making hourly marginal cost rates available to customers taking service on PG&E's Net Energy Metering (NEM) and Net Billing Tariff (NBT) rate modifiers when HFP 2.0 is implemented (targeted for January 1, 2029 or sooner if feasible); and
- C. Phasing in transmission rate elements by targeting a dynamic hourly transmission component (transmission RTP) for post-pilot implementation (January 1, 2032) or in later stages of HFP 2.0, while first incorporating a TOU transmission price component with HFP 2.0 and evaluating whether the TOU design can include additional dynamic pricing elements, subject to necessary CPUC and FERC approvals.

The timing presented in this application reflects PG&E's best understanding at the time of submitting this application for modification; timelines may change due to adjustments to regulatory schedules and/or implementation opportunities and constraints.

PG&E respectfully requests that the CEC approve the modifications to PG&E's Approved 2023 LMS Compliance Plan described in this application. The requested modifications reflect PG&E's continued commitment to making hourly marginal cost-based RTP rates available to customers in a manner that is consistent with the LMS, responsive to CPUC directives and FERC jurisdictional requirements, informed by the learnings and experience gained from PG&E's existing RTP pilots, and feasible to implement from a regulatory and technological perspective. PG&E's revised approach maintains customer access to RTP through extension and enhancement of PG&E's existing RTP pilots to offer customers a clearer and more transparent price signal through HFP 2.0.

PG&E recognizes that LMS-structured rates should be available to NEM and NBT customers and should include a dynamic transmission price component. PG&E believes it is prudent to wait until HFP 2.0 to make HFP available to NEM and NBT customers, due to

the challenges that the subscription element in the current HFP pilots would create. Similarly, PG&E requests to phase in transmission pricing by developing an interim TOU transmission price component available to customers in time for HFP 2.0 while continuing analysis of a future transmission RTP component, so that PG&E can introduce transmission time differentiation without deploying an hourly signal before completing PG&E-specific cost-causation analysis and implementation evaluation.

Implementation according to the sequencing and timeline reflected in PG&E's Approved 2023 LMS Compliance Plan is not presently viable based on current regulatory timelines and technical considerations related to PG&E's billing systems. The requested modifications provide a feasible pathway for maintaining customer access to RTP while PG&E works toward achieving the regulatory, rate-design, and billing-system milestones necessary for a durable and effective RTP rate offering.

This AFM discusses the requested changes as described below.

Section 2:

- Reviews the LMS guidance pertinent to this application for modification and PG&E's current status with regard to that guidance.

Section 3:

- Describes the regulatory and implementation activities that PG&E has undertaken since 2023 in response to the LMS guidance.
- Outlines the latest plan presented to the CPUC for making hourly marginal cost-based rates available to customers.
- Clarifies what customer rate classes are able to enroll on HFP.
- Clarifies PG&E's plan for making hourly rates available to customers taking service on NEM and NBT.
- Describes PG&E's revised plan for including a dynamic transmission price component in its hourly marginal cost-based rate offerings.
- Outlines PG&E's updated regulatory and implementation pathway for providing marginal cost-based rates to customers.

Section 4:

- Outlines next steps.

PG&E also provides three attachments to this AFM:

Attachment A: Defines key terminology used in this application.

Attachment B: PG&E's Testimony Supporting Stop-Gap Interim RTP Pilots Extension Proposal, submitted to the CPUC on June 8, 2026 in A.24-09-014.

Attachment C: Pacific Gas and Electric Company 2020 General Rate Case Phase II Transmission Time-of-Use Rate Study Report, submitted to the CPUC on November 18, 2022 in A.19-11-019.

2. LMS Regulatory Background and Basis for Modification Request

This section provides an overview of LMS regulatory guidance and the basis for PG&E's AFM. In Sub-Sections 2.1 to 2.3 below, PG&E provides background on the LMS, with a focus on the elements that are pertinent to this modification application. In Attachment A, we provide definitions of key terms used in this application and related regulatory proceedings. Please note that we will at times refer to marginal cost-based rates as RTP rates in this application.

2.1 The CEC's Load Management Standards

In April 2023, the CEC's amendments to the Load Management Standards (LMS) went into effect with the goal of advancing time-dependent signals that can be used by automation-enabled loads to provide real-time load flexibility on the electric grid.^{2 3} The LMS includes specific guidance for Large Publicly Owned Utilities (POUs) and Community Choice Aggregators (CCAs) in California, as well as for Large Investor-Owned Utilities (IOUs), such as PG&E. Pursuant to the LMS⁴, PG&E submitted its compliance plan on October 2, 2023. PG&E made minor revisions to that plan, in 2024 and 2025, in response to requests from CEC staff. The most recent version was submitted by PG&E on March 18, 2025 to the CEC's LMS Docket.⁵ This version was titled "PG&E's Second Revised Load Management Standards Compliance Plan, current as of January 1, 2025, with minor grammatical revisions added on February 24, 2025", and was approved on May 8, 2025 by the CEC.⁶

² Cal. Code Regs., tit. 20, § 1621 and 1623.

³ Herter, Karen and Gavin Situ. 2021. *Analysis of Potential Amendments to the Load Management Standards: Load Management Rulemaking, Docket Number 19-OIR-01*. California Energy Commission. Publication Number: CEC-400-2021-003-SF. (Dec. 22, 2021).

⁴ Cal. Code Regs., tit. 20, § 1621(d)(1)

⁵ 23-LMS-01 Docket: <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=23-lms-01>

⁶ Signed Orders Approving LMS Compliance Plans for PG&E, SCE, SDG&E, VCE, SJCE, and PCE from the May 8, 2025 Business Meeting. Docketed on May 16, 2025.

2.2 LMS Guidance on Compliance Plan Modification Requests

Cal. Code Regs., tit. 20, § 1621, covers the process for a Large IOU to submit an application to the CEC to modify an approved LMS compliance plan. Therefore PG&E submits an application to the CEC to modify its compliance plan and demonstrate how PG&E plans to eventually comply with all LMS guidance.

Section 1621(e)(1) states:

Large IOUs may apply to the Executive Director for an exemption from the requirements of Sections 1621 and 1623 of this article, to delay compliance with its requirements, or to modify a load management standard compliance plan.

Section 1621(e)(2) further outlines what an application for modification should demonstrate. The section most relevant to PG&E's modification request is Section 1621 (e)(2)(C), which indicates that an application should demonstrate that:

[R]equiring timely compliance with the requirements of this article would not be technologically feasible or cost-effective for the Large IOU to implement.

Applications for exemptions or delays may be supported by proposing pilot programs that demonstrate how and when a Large IOU will come into compliance with the requirements of this article. (Emphasis added)

This application uses Section 1621(e)(2)(C)'s inclusion of "pilot programs that demonstrate . . . compliance."⁷ PG&E demonstrates how the extension of PG&E's RTP pilots – under an enhanced rate and program structure that we are calling HFP 2.0 – serves as a "Stop-Gap" solution for maintaining access to hourly marginal cost-based rates for PG&E's customers until CPUC approval of post-pilot RTP rates and their implementation in PG&E's modernized billing system.

PG&E submits that the modifications requested in this application satisfy the standard in Cal. Code Regs., tit. 20, § 1621, subd. (e)(2)(C) because requiring compliance with the timeline set forth in PG&E's approved compliance plan is not presently feasible from a regulatory timeline and technological perspective. Extending PG&E's HFP pilots under an improved HFP 2.0, until post-pilot RTP rates can be built in PG&E's modernized billing

⁷ PG&E contends that the RTP pilots demonstrate that PG&E has already "come into compliance" with providing hourly marginal cost rates (except for the Transmission price component and NEM/NBT access) and will remain in compliance until post-pilot RTP rates are approved by the CPUC and implemented.

system, is consistent with current regulatory proceeding timelines and is the technologically feasible approach for the following reasons:

- The RTP pilots have demonstrated that key elements of the current HFP rate design require additional refinement, testing, and validation before broader implementation.
- That refinement is best suited to be achieved by extending and improving PG&E's RTP pilots under an enhanced HFP 2.0 rate and program design while continuing to use PG&E's third-party shadow billing platform, given limitations to building the rates in PG&E's outdated legacy billing systems.
- The proposed extension of HFP through an enhanced HFP 2.0 structure allows PG&E to maintain customer access to hourly marginal cost-based rates while 1) achieving required regulatory approvals, 2) performing additional technical analysis (for the distribution and transmission price components and other aspects of the new HFP 2.0 rate design), and 3) developing the appropriate modernized billing infrastructure, all of which are needed to enable successful long-term deployment of RTP rates.

2.3 LMS Guidance on Hourly Marginal Cost Rates

This AFM is focused on the elements of the LMS related to PG&E's offering of an hourly marginal cost-based rate to its customers. The LMS guidance directs PG&E to apply to the CPUC for an hourly marginal cost-based rate – that includes generation, distribution, and transmission price components – by January 1, 2025, with a target of making such rates available to all customer classes by January 1, 2027. Per LMS guidance, PG&E is not required to commence implementation of such rates until the CPUC has approved those marginal cost-based rates as well as the associated costs of making those rate offerings available to customers.

Several parts of Section 1623 as well as Section 1621 contain guidance that is relevant to PG&E's application to modify our plan to make marginal cost-based rates available to customers.

Section 1623 (a):

*...requires that each Large IOU develop **marginal cost-based rates** structured according to the requirements of this article and that the **Large IOU submit such rates to its rate-approving body for approval.***

Section 1623 (a)(1) defines what is meant by marginal cost rates:

*Total marginal cost shall be calculated as **the sum of the marginal energy cost, the marginal capacity cost (generation, transmission, and distribution)**, and any other appropriate time and location dependent marginal costs, including the locational marginal cost of associated greenhouse gas emissions, **on a time interval of no more than one hour...***

Section 1623(a)(2) provides guidance on timing for submitting an hourly marginal cost rate application to PG&E's rate-approving body, and sets a target filing date of **January 1, 2025**⁸:

Within twenty-one (21) months of April 1, 2023, each Large IOU shall apply to its rate-approving body for approval of at least one marginal cost-based rate, in accordance with 1623(a)(1), for each customer class.

Section 1623(a)(2) provides guidance on timing for offering marginal cost-based rates to PG&E's customers and sets a target of **January 1, 2027**⁹:

(2) Within forty-five (45) months of April 1, 2023, each Large IOU shall offer to each of its electricity customers voluntary participation in a marginal cost-based rate developed according to Section 1623(a) if such rate is approved by the Large IOU's rate-approving body, or a cost-effective program identified according to Section 1623(d)(1) if such rate is not yet approved by the Large IOU's rate-approving body.

Section 1623 (g) provides that the Large IOUs' rate-approving body's (the CPUC) approval for costs associated with the offering of marginal cost-based rates is a condition before the rates would be implemented:

*In its rate applications, each Large IOU shall seek to recover the full costs associated with conducting each program required by this article from the class of customers which the program most directly affects. **The Large IOU shall not be required to commence implementation of any program required by this article until the Large IOU's rate-approving body has approved the tariffs which are a part of any such program and a method***

⁸ CEC Guidance. *Load Management Standards Compliance Timeline* TN#250547, June 7, 2023. Available at the LMS Docket 23-LMS-01, p.2.

⁹ *Id.*, p.3.

for recovering the costs of the program. *This does not affect any obligations Large IOUs have under Section 1623(b).*¹⁰

In response to the CEC's LMS guidance, PG&E submitted a proposal to the CPUC for an hourly marginal cost-based rate on September 30, 2024, as part of PG&E's 2023 PG&E General Rate Case (GRC) II Application (A.24-09-014), ahead of the January 1, 2025 LMS target date. In parallel, since Q4 2024, PG&E has been offering marginal cost-based rates through its RTP pilots that were approved by the CPUC in 2024. The pricing structure of these currently active pilots includes marginal cost-based hourly generation and distribution components but does not yet include a dynamic transmission component. Also, participation in the RTP pilots by customers taking service on the Net Energy Metering (NEM) and Net Billing Tariff (NBT) rate modifiers has not yet been enabled. More detail on the current status of PG&E's RTP rate offerings and next steps is provided in Section 3.2 of this application.

3. Requested Modifications to Compliance Pathway and Timing

In this section, PG&E describes a revised regulatory and implementation pathway to provide LMS-structured RTP rates. First, PG&E summarizes the approved compliance plan timeline, then explains the regulatory developments, pilot learnings, and implementation considerations that have shaped PG&E's updated approach. We also address the revised plans for a transmission price component in RTP and for enabling NEM/NBT participation. Finally, we outline PG&E's overall path forward with regard to regulatory and implementation milestones to make RTP rates available to customers.

3.1 Summary of Regulatory and Implementation Timing from 2023 Plan

PG&E's approved plan assumed that CPUC RTP guidance from the DFOIR and a final decision in PG&E's 2023 GRC II would be available in time to support RTP implementation by January 1, 2027. However, regulatory guidance and schedules, learnings from pilot experience, and implementation considerations have changed, necessitating this AFM.

PG&E's Approved 2023 LMS Compliance Plan outlined PG&E's best understanding of our approach to making RTP rates available to customers given the relevant regulatory processes and implementation constraints and opportunities at that time. In the approved

¹⁰ Cal. Code Regs., tit. 20, § 1623(b) covers requirements related to uploading time-dependent rates to the CEC's Market Informed Demand Automation Server (MIDAS) database.

compliance plan, this approach was outlined in Section 1, pages 6-18 and is summarized here.

The approved compliance plan described the key CPUC regulatory proceedings in which PG&E would propose RTP rates – through PG&E’s 2023 General Rate Case Phase II (PG&E’s 2023 GRC II) application to the CPUC, which was later submitted in September 2024 as Application (A.) 24-09-014. The plan also stated that the CPUC was anticipated to provide directives that could affect PG&E’s RTP rate offerings in Rulemaking (R.) 22-07-005, the Demand Flexibility Rulemaking (DFOIR).

PG&E’s approved compliance plan also outlined a path for including a dynamic transmission price component in its RTP rate offering, which would require approval by the Federal Energy Regulatory Commission (FERC), the regulatory agency with jurisdiction over transmission. In the approved plan, PG&E proposed to conduct studies in 2024 and 2025, develop cost allocation models in 2025 and 2026, and submit an application to FERC for a dynamic transmission RTP rate component in July 2026.¹¹

The interaction of these regulatory proceedings and implementation of RTP rate offerings was shown in the timeline presented in PG&E’s 2023 Approved LMS Compliance Plan, in Figure A-1, starting at page 32 of the plan. PG&E planned to submit an application for RTP rates to the CPUC in its 2023 GRC II application, by Q3 2024, to meet the LMS January 1, 2025 target.¹² Concurrently, PG&E anticipated that the CPUC would develop guidance on RTP through Track B of the DFOIR, with a final decision anticipated in Q2 2025. PG&E planned to incorporate any additional guidance from the DFOIR Track B Final Decision into PG&E’s 2023 GRC II application by Q4 2025 and estimated a CPUC Decision on PG&E’s RTP rate proposal by Q3 2026. That timing could have allowed PG&E to begin implementation of the RTP rates starting in Q1 2026, assuming limited changes to the RTP rate design based on the DFOIR Final Decision, in time to meet the LMS target January 1, 2027 date. In parallel, approval of PG&E’s application to FERC by Q4 2026 could have allowed PG&E to incorporate the approved values into its RTP rate offering for the dynamic transmission price component by January 1, 2027.¹³

¹¹ See Table 2 on p.12 of PG&E’s 2023 Approved LMS Compliance Plan.

¹² Cal. Code Regs., tit. 20, § 1623(a)(2).

¹³ PG&E recognized that, due to a significant number of rate implementation projects in PG&E’s pipeline and plans for the modernization of PG&E’s outdated legacy billing systems, PG&E might need to implement the RTP rates through “shadow billing” in a third-party billing system platform, as noted in the approved compliance plan. See pp. 2 and 17 and footnote 25 on p.12 of PG&E’s 2023 Approved LMS Compliance Plan.

Since PG&E submitted its 2023 Approved LMS Compliance Plan, PG&E's path to providing RTP rates to customers has changed due to regulatory developments, learnings from PG&E's RTP pilots that launched in September of 2024, and new insights into implementation considerations. These regulatory developments, pilot learnings, and implementation considerations are described in the next Section of this application.

3.2 Developments that Have Shaped PG&E's Revised LMS Compliance Approach

PG&E plans to make RTP rates available to customers, by and after January 1, 2027, by improving, and extending, its current RTP pilots, as proposed in *PG&E's Testimony Supporting Stop-Gap Interim RTP Pilots Extension Proposal* (Stop-Gap Proposal) filed on June 8, 2026 in PG&E's 2023 GRC II application. This sub-section of this AFM explains how PG&E arrived at the Stop-Gap approach for making RTP rates available to customers. We describe regulatory developments, RTP pilot learnings and proposed changes to rate and program design, as well as implementation considerations that have evolved after PG&E submitted its approved compliance plan in 2023.

a. RTP Developments 2023-2026

RTP rates have been considered across a number of separate CPUC regulatory proceedings, not only in ratemaking proceedings, but also in rulemakings related to reliability, transportation electrification, and demand response. A review of those proceedings is presented, starting at p. 1-3, in Chapter 1 of PG&E's Stop-Gap Proposal (Attachment B to this application). Key regulatory developments related to PG&E's current RTP pilot rate offerings have occurred in the CPUC's DFOIR proceeding (R.22-07-005) and in PG&E's 2023 PG&E GRC II (currently pending before the CPUC). In addition, on the important subject of systems and processes to support RTP, the CPUC's Enhanced Demand Response Order Instituting Rulemaking (EDROIR) R. 25-09-004 which is currently in progress states that it:

*...will address the implementation of dynamic rates by developing the appropriate systems and processes but will not address the rate design aspects of the dynamic rates being used by these systems and processes.*¹⁴

¹⁴ Order Instituting Rulemaking to Enhance Demand Response in California, September 29, 2025, R. 25-09-004 p. 8.

The remainder of this sub-section provides an overview of the key regulatory and implementation developments that have led to PG&E’s current proposed path to make RTP rates available to customers January 1, 2027.

In response to CPUC directives, PG&E began offering three RTP pilots in Q4 2024, that have generation and distribution RTP price components and are ongoing:

1. HFP Pilot 1 for agricultural customers¹⁵
2. HFP Pilot 2 for residential, commercial, and industrial (C&I) customers¹⁶
3. Phase 2 of PG&E’s Vehicle to Grid Integration (VGI) Pilots¹⁷

Enrollment in these RTP pilots has been robust. As of April 30, 2026, PG&E has over 2,300 sites (service agreements) enrolled in the HFP Pilots and Phase 2 of the VGI Pilots, representing nearly 340 MW of demand. Through these pilots, PG&E has developed learnings about RTP rate and program design that are summarized in Chapter 2 of PG&E’s Stop-Gap Proposal.

Concurrently with launching these pilots, PG&E submitted its proposal for post-pilot RTP rate offerings as part of PG&E’s 2023 GRC II in September of 2024. The timing for this submittal was consistent with the timing presented in PG&E’s 2023 Approved LMS Compliance Plan and was responsive to the LMS target date for applying to PG&E’s rate-approving body for an RTP rate, by January 1, 2025.

Later, in August of 2025, the CPUC issued D.25-08-049 in the DFOIR that provided further direction on PG&E’s RTP rate offerings. D.25-08-049 ordered PG&E to submit a revised proposal for its RTP rate offerings by October 2025, with a showing that followed the CEC’s LMS guidance on RTP rate design.¹⁸ In response to that decision, PG&E submitted Supplemental Testimony in its 2023 GRC II on October 29, 2025, *Pacific Gas and Electric Company 2023 General Rate Case Phase II Supplemental Testimony Exhibit (PG&E-5) Real-Time Pricing Proposal*. In that testimony, PG&E requested CPUC authorization for a “Stop-Gap Interim RTP Pilot” proposal to extend PG&E’s existing RTP pilots to provide continuity of RTP rate offering in consideration of the LMS target date of January 1, 2027.

PG&E requested this “Stop-Gap” solution to extend PG&E’s RTP pilots for the following reasons:

¹⁵ Authorized by CPUC D.24-01-032

¹⁶ Ibid.

¹⁷ CPUC Resolution 5326 (July 11, 2024)

¹⁸ D.25-08-049, p. 146, Ordering Paragraph (OP) 3.

- 1) PG&E was cognizant of learnings gained from real-world experience through its current pilots. PG&E anticipated that these learnings may lead to proposals by PG&E and stakeholders for substantive changes to the RTP rate and program design. Given that these revised approaches to rate and program design have not yet been tested, PG&E anticipated that it may be more appropriate to pilot these revisions before proposing post-pilot rates.
- 2) PG&E was awaiting CPUC guidance on systems and processes to support dynamic rates that may be addressed in the EDROIR that could affect post-pilot implementation of RTP rates. The Commission has not established the scope or timeline for these issues yet.
- 3) PG&E determined that it would be prudent to wait to build post-pilot RTP rates in PG&E's modernized billing systems once PG&E's billing modernization effort is completed. This approach is necessary due to constraints in PG&E's ability to build in existing systems. The timing for RTP implementation in PG&E's modernized billing system is uncertain, given that PG&E's proposal and funding request to modernize PG&E's billing system is still pending before the CPUC as part of PG&E's Billing Modernization Initiative (BMI) in A.24-10-014.

Subsequent to the October 29, 2025 testimony, PG&E filed a motion on November 6, 2025,¹⁹ in response to the schedule established for a bifurcated track in *Administrative Law Judge's Ruling Modifying Schedule and Setting a New Track for Dynamic Rate Options*, issued October 9, 2025, in PG&E's 2023 GRC Ph II. PG&E's motion proposed that the Commission adopt a two-step schedule for considering next iterations and implementation steps regarding PG&E's RTP rate offerings. The two steps were: (1) a "Stop-Gap" extension of existing RTP pilots and (2) longer term, post-pilot dynamic rates. The ALJ ruled on PG&E's motion on January 7, 2026, and set a schedule for PG&E to submit testimony on the Stop-Gap extension of HFP pilots by June 8, 2026. The ALJ ruling did not set a schedule for PG&E's proposal for a longer-term post-pilot rate.²⁰ On June 8, 2026, PG&E submitted its Stop-Gap Proposal (Attachment B to this application). The next steps in the CPUC regulatory processes are addressed in Section 3.5 of this application.

¹⁹ 2023 GRC II, Motion of Pacific Gas and Electric Company (PG&E) to Adopt a Schedule for the Bifurcated Real-Time Pricing Track of PG&E's General Rate Case Phase II (Nov. 6, 2025).

²⁰ 2023 GRC II, Administrative Law Judge's Ruling Setting Schedule for the Dynamic Rate Options Track (Jan. 7, 2026), p. 3.

b. RTP Pilot Learnings and Proposed Changes

Learnings from PG&E's existing RTP pilots are described in PG&E's Stop-Gap Proposal Testimony, particularly in Chapter 2. Here, we provide a high-level summary of key learnings and PG&E's proposed changes to its HFP rate offering. PG&E is terming this proposed revised rate and program structure "HFP 2.0" to distinguish it from the current HFP rate and program structure used for PG&E's RTP pilots.

Based on PG&E's experience with the current RTP pilots, evaluation efforts, feedback from customers and Automated Service Providers (ASPs), and lessons from prior California RTP pilots²¹, PG&E concluded that rate and program design features in the current pilot are limiting customers' ability to understand and effectively respond to hourly prices.

Key learnings and proposed changes include:

- **The RTP subscription element adds complexity, weakens price clarity, and should be discontinued.**²²

PG&E has learned that RTP subscriptions create customer confusion, distort price signals, complicate measurement of load response, and increase implementation costs. As a result, PG&E proposes eliminating subscriptions and replacing them with a Revenue Neutral Adder (RNA). PG&E believes this change would create a simpler "the price you see is the price you pay" structure that exposes all usage to the hourly price signal while still recovering embedded utility costs.

- **The distribution pricing framework requires additional refinement.** In the existing RTP pilots, the rate design attempts to reflect local distribution system conditions based on a complex electric distribution network. Today, the RTP pilots calculate the distribution price component based on representative distribution circuits. Each of PG&E's 3,000 distribution circuits is assigned a representative circuit. The day-ahead load forecasts for the representative circuits are a factor in determining the distribution RTP component for customers based on the representatives circuit to which they are assigned. Real-world implementation revealed numerous factors that make RTP distribution pricing unexpectedly

²¹ Two RTP pilots were authorized as part of R.20-11-003, the Summer Reliability Rulemaking. D.21-12-015 in R.20-11-003 authorized two Pilots with RTP Rates: (1) the Agricultural Flexible Irrigation Technology (AgFIT) Pilot proposed by Valley Clean Energy (VCE), a CCA in PG&E's service area (VCE AgFIT Pilot) and (2) an RTP pilot for Residential and C&I customers in SCE's service area (SCE Dynamic Rate Pilot). The PG&E/Valley Clean Energy pilot in D.21-12-015 was expanded in D.24-01-032 into the current HFP pilots.

²² Please see PG&E's Testimony Supporting Stop-Gap Interim RTP Pilots Extension Proposal, June 8, 2026 in A.24-09-014, p. 2-22, figure 2-2, for CPUC Energy Division illustration of subscription.

challenging, including the dynamic nature of the distribution system's configuration in which customers are switched between circuits to manage load, the capacity implications of that switching, and difficulty in developing accurate circuit-level load forecasting, among other factors. As a result, PG&E plans to further evaluate and potentially iterate on the current approach to provide the most effective price signal for customers.

- **Dual-participation rules can discourage customer enrollment and should be reassessed.** PG&E also found that dual-participation restrictions with Demand Response programs can discourage participation. To address this, PG&E is requesting, in the EDROIR, CPUC guidance on more consistent rules for dual participation and equitable mechanisms for compensating customers while avoiding double compensation across rates, demand response, and load management programs, and providers (IOUs, third parties, CCAs, CEC).

PG&E believes these and other changes outlined in its Stop-Gap Proposal for an HFP 2.0 will improve the customer experience, enhance load responsiveness to hourly prices, reduce implementation complexity, and generate better insights to inform future post-pilot real-time pricing rates.

c. Implementation Considerations

PG&E's proposal to make RTP rates available to customers by and after January 1, 2027, through extending PG&E's RTP pilots under an improved HFP 2.0 structure, is also informed by near-term constraints to PG&E's ability to offer post-pilot RTP rates in our billing system. Therefore, PG&E proposes to continue to use shadow billing through a third-party platform with some modifications to the program design to ensure that customers are exposed to both risk and reward under the HFP 2.0 structure to better incent load response. After leveraging additional learnings from HFP 2.0 and obtaining CPUC approval of post-pilot rates, PG&E then plans to offer post-pilot RTP rates through its modernized billing system (the scope and costs of which is currently pending approval by the CPUC).

Shadow Billing for the Extended HFP 2.0 Pilots and Removal of Bill Protection

Under the current PG&E RTP pilots, participants continue to receive their primary utility bill through PG&E's billing systems under their Otherwise Applicable Tariff (OAT), or in other words, the rate they are on that qualifies them for HFP. In parallel, PG&E's third-party vendors perform shadow billing to calculate charges under the HFP rate.

These shadow billing systems use customer interval usage data and apply HFP hourly prices to calculate each customer's charges under the HFP rate. The systems then compare each participant's cumulative HFP charges with cumulative charges under the OAT, accounting for the customer's pilot-specific subscription. At the annual True-Up, if a customer's cumulative HFP bill is lower than their OAT bill, PG&E calculates the applicable credit, adjusts it for taxes and franchise fees, and applies the resulting amount as a bill adjustment on the customer's PG&E Energy Statement.

As discussed in Chapter 2, Section E.1 of PG&E's Stop-Gap proposal, PG&E proposes to replace the current "credit-only" bill protection structure with a "credit-and-charge" structure under HFP 2.0. In PG&E's current RTP pilots, customers are provided a credit if their HFP bill is less than their OAT bill but are not charged an additional amount if their HFP bill is higher than their OAT bill. A credit-only billing structure makes it difficult to encourage and attribute load response to the HFP rate. Customers may track both HFP and OAT prices but may respond more strongly to OAT prices to avoid the risk of a higher bill. This is consistent with the concept of loss aversion, under which customers may give more weight to the potential for a high OAT bill than potentially earning an HFP credit. The credit-only structure also appears to attract customers seeking to benefit from HFP credits without changing their load patterns, since customers can simply see if their particular load patterns happen to result in a lower HFP bill, with no risk of a higher bill. For these reasons, PG&E is proposing to eliminate bill protection in HFP 2.0 (i.e., customers whose cumulative HFP charges exceed their OAT charges at True-Up would be assessed the additional amount).

Implementation of Post-Pilot Rates in PG&E's Modernized Billing System

Through its pending BMI application, PG&E is seeking authorization and funding to modernize its billing and data management systems. PG&E currently intends to implement future RTP rates within its modernized Customer-to-Meter (C2M) billing system, once CPUC approves the costs for C2M and it becomes operational.

PG&E is developing an RTP implementation strategy for C2M, but the timing and scope of that effort depend on the outcome of the BMI proceeding and other implementation considerations. As directed by the CPUC via *Administrative Law Judge's Ruling Setting Schedule for the Dynamic Rate Options Track*, issued on January 7, 2026, PG&E will present its proposed RTP implementation plan and schedule in a future application. That future application is currently estimated to be filed in Q3 2028.

3.3 Request to Modify PG&E's Plan for Implementing Transmission RTP

PG&E's approved compliance plan describes the plan for developing and implementing dynamic transmission rates as part of its broader RTP framework, including a July 2026 filing with the Federal Energy Regulatory Commission (FERC). PG&E seeks to modify that pathway because the need to address the distribution component already being used by HFP pilot customers has affected the original schedule. PG&E now proposes to phase-in transmission time differentiation through its HFP 2.0 rate offering.

In 2024, PG&E began working on potential approaches for developing a transmission RTP component, including both system-wide and locational approaches. Although PG&E's working assumption was that a system-wide approach would provide a simpler, more stable, and easier to administer transmission RTP design, PG&E also believed that reviewing locational data would help assess whether a more granular approach could be superior. This work included gathering and reviewing load, weather, marginal cost, and grid congestion cost data; exploring a PG&E system-wide transmission RTP rate design using California Independent System Operator (CAISO) load forecasts; and exploring internal hourly load-forecasting capabilities based on historical load and weather data that could be used if CAISO forecasts are unavailable or need to be supplemented. PG&E also reviewed CAISO congestion-related price data to assess whether locational cost data could support a locational transmission RTP design. That review identified challenges because, unlike the distribution grid, the transmission system is highly networked and does not map neatly to individual customer accounts, making a location-specific transmission RTP design more difficult to implement and explain to customers.

Concurrently with preliminary transmission rate design work, PG&E was implementing the current HFP pilots, which include a dynamic distribution price component as part of the all-in customer-facing hourly price signal. As the HFP pilots progressed, PG&E identified issues with the distribution component that required prioritizing near-term stabilization because customers were already on the HFP rate. The stabilization work included multiple recalibrations of distribution input data and pricing parameters, as well as further development of modeling parameters to better account for grid conditions and input data elements that were not reflected in the original framework. These efforts affected the original transmission RTP workplan and made the original timeline for developing and filing a dynamic transmission component infeasible. The stabilization work also provided practical insights into the complexity of implementing non-generation RTP rate elements.

As a result, PG&E concluded that adding a second dynamic non-generation component (transmission) before the existing RTP structure was stable could increase implementation risk, make it more difficult for customers to understand the factors affecting the RTP price signal, and complicate the ability to evaluate whether customers were responding to the intended RTP signal. For these reasons, PG&E did not advance the July 2026 FERC filing on the timeline set forth in the approved plan.

PG&E now requests revision of its approved plan for transmission rates that provides a phased implementation pathway while maintaining a path toward consistency with the LMS. PG&E's long-term objective remains the incorporation of a transmission RTP pricing component no later than the start of the post-pilot period currently estimated to begin on January 1, 2032, subject to the results of ongoing evaluation and any necessary regulatory approvals. As an intermediate step, PG&E plans to complete the analysis and design work for an interim transmission time-of-use (TOU) rate component (with set values for the daily TOU periods, differentiated by season) by December 31, 2027, including assessment of whether additional dynamic transmission pricing elements can be incorporated into that design. PG&E would then implement the resulting transmission rate component as part of HFP 2.0 by January 1, 2029, or sooner if feasible, contemporaneous with the removal of the subscription component, subject to any necessary approvals from the CPUC and FERC. Accordingly, the January 1, 2029 transmission rate design milestone represents an intermediate step in PG&E's transmission pricing development pathway rather than its end state.

For the interim transmission TOU design, PG&E plans to use a prior transmission TOU study²³ as a starting point to reassess transmission cost-of-service and the potential for time differentiation in transmission rates. Among other findings, the study indicated that transmission costs may support time differentiation, providing a basis for an interim transmission TOU signal. At the same time, the study raised important questions that warrant further evaluation before PG&E develops dynamic hourly transmission price signals. These questions include whether and to what extent retail customer load shifting can meaningfully influence transmission cost drivers, particularly those associated with the high-voltage system, including imports and exports, as well as the appropriate allocation of costs between high-voltage and low-voltage systems, the relationship

²³ This study *Pacific Gas and Electric Company 2020 General Rate Case Phase II Transmission Time-of-Use Rate Study Report* was submitted in Phase II of PG&E's 2020 General Rate Case on November 18, 2022 in A. 19-11-019 and is provided as Attachment C to this AFM.

between system-level transmission usage and customer class load profiles, and implementation considerations for transmission TOU rate design.

Using the study as a starting point, and recognizing the additional analysis it identified, PG&E will develop the interim transmission TOU design and evaluate whether additional dynamic transmission pricing elements, including approaches that reflect changing system conditions, can be incorporated into that design. PG&E will also determine the implementation requirements for incorporating this transmission component into the HFP shadow billing platform, subject to future CPUC approval of associated costs through the advice letter process proposed in PG&E's Stop-Gap Proposal, if adopted, or other applicable regulatory processes. This first step would introduce transmission time differentiation into the current customer-facing RTP price signal and establish a foundation for future transmission RTP development.

PG&E believes this phased approach provides the most effective path to incorporating transmission time differentiation into HFP while continuing to develop a future transmission RTP component. An interim transmission TOU component is preferable to deploying an inadequately vetted RTP design because it introduces stable transmission time differentiation while avoiding an hourly signal that may not yet reliably reflect PG&E-specific transmission cost causation. The interim TOU design will also provide a practical reference point for evaluating whether a future transmission RTP methodology produces a materially better and more cost-reflective price signal. Additional work is needed to determine how transmission pricing should reflect PG&E-specific transmission system conditions, planning assumptions, operations, and cost drivers.

In parallel with development and implementation of the initial transmission component for HFP 2.0, PG&E will continue developing a dynamic, hourly transmission rate component that could be proposed to the CPUC and/or FERC for incorporation in later stages of HFP 2.0 or post-pilot. Building on its preliminary transmission RTP work, PG&E expects to further evaluate forecast-based transmission pricing approaches that include the potential use of CAISO day-ahead forecast data for transmission pricing and pricing constructs that use load as the input. PG&E will also continue to develop internal forecasting capabilities to replicate or supplement CAISO forecasts if needed. In addition, PG&E will continue to assess whether transmission RTP values could be informed by, or aligned with, day-ahead energy prices cleared by CAISO, including whether such prices appropriately reflect grid stress or whether other CAISO operational signals may provide a more suitable basis for transmission price design.

Because transmission systems and their planning assumptions, operations, and cost drivers vary across utilities, PG&E does not believe a single transmission RTP methodology can necessarily be applied uniformly across different utility service areas. Any future dynamic transmission pricing proposal would be evaluated on its ability to reflect PG&E-specific system conditions and transmission cost drivers, customer understandability, implementation feasibility, and contribution to an effective overall RTP rate structure that incents load response to generate realizable electric system cost savings.

PG&E views this revised approach as a lower-risk path for adding time-differentiated transmission rates while other HFP rate design changes continue to be tested and refined. PG&E's requested modification reflects its desire for a targeted adjustment to the sequencing and timing of its transmission RTP rate design efforts, rather than a departure from its commitment to achieve RTP rates that contain the components in the LMS. PG&E will make any necessary filings at the CPUC and FERC in accordance with the FERC's Rules of Practice and Procedure to support this implementation plan.

3.4 HFP Availability and Plan for Implementation of NEM and NBT with RTP Rates

In this Section, PG&E clarifies what groups of customers currently are and are not able to enroll on PG&E's RTP pilots and the reasons for their exclusion. PG&E also outlines its plan for making HFP available to customers taking service under the Net Energy Metering (NEM) and Net Billing Tariff (NBT) rate modifiers, who currently do not have access to HFP. PG&E has a little over one million NEM and NBT service agreements as of June 30, 2026.

a. HFP Availability Across Customer Classes

Customers in most of PG&E's customer rate classes currently have access to HFP. The following rate classes have been approved by the CPUC in PG&E's service area:

- Residential
- Small Light and Power
- Medium Light and Power
- Large Light and Power
- Industrial
- Agricultural
- Standby
- Business Electric Vehicle (BEV)
- Streetlights

Table 1 shows which customer rate classes have access to HFP and which do not, a framework that PG&E plans to retain for HFP 2.0. All rate classes are eligible for HFP except for standby and streetlights. Standby customers are customers with non-utility generation resources that are capable of serving all, or a substantial portion of, their electric load. PG&E provides them service primarily as backup or reserve capacity when these customers' generation resources are unavailable. Because PG&E serves standby customers on an irregular and non-continuous basis, these customers are not good candidates for HFP. Streetlights are exempted by the express terms of the LMS²⁴.

Table 1. Access to Hourly Flex Pricing by Customer Rate Class

Rate Class	Has access to HFP
Residential	Yes
Small Light and Power	Yes
Medium Light and Power	Yes
Large Light and Power	Yes
Industrial	Yes
Agricultural	Yes
Business Electric Vehicle (BEV)	Yes
Streetlights	No
Standby	No

Table 2 shows the number of customers that PG&E plans to continue to exclude from HFP under HFP 2.0 and the applicable rationale. In addition to standby customers and streetlights, another type of customer that is not eligible for HFP is residential customers who receive service through a master-metered structure. Under this structure (also known as multi-family) tariff, there is only one meter serving multiple units and there is no PG&E meter for a given individual unit. Such customers include some older RV parks, mobile home parks, marina services, and master metered residential hotels. PG&E is not proposing to make dynamic rates available to master-metered customers because one meter serves multiple accommodations. Because of this arrangement, the entity who pays for electricity delivered to the master meter (generally a property owner or manager) has little control over the usage of the individual units. This “split-incentive” relationship

²⁴ Cal. Code Regs., tit. 20, § 1621(c)(6) (“‘Customer class’ means a broad group of customers used for rate design. . . . but does not include street lighting.”).

between the property owner and the tenants is not conducive to load management under an hourly rate structure. Furthermore, of the approximately 16,850 multi-family services, only 1,510 are on a TOU rate and would be eligible for dynamic rates.²⁵ PG&E thus does not plan to enable participation of master-metered residential customers in HFP 2.0.

Table 2. Number of customers by class or type and reasons for exclusion from HFP 2.0

Rate Class or Type	Approx. Number of Services ²⁶	Reason for Not Offering RTP
Streetlights, outdoor area lighting, traffic control	45,700	Excluded from LMS, fixed operating schedules.
Standby	26	Use energy on an irregular and non-continuous basis.
Master-metered (multi-family, marina, mobile home parks through a master meter)	16,850	Property-owner who pays PG&E bill has limited control over tenants' usage.

b. HFP Availability for NEM and NBT Customers

PG&E has not fully implemented HFP shadow-billing calculations for customers taking service under NEM and NBT rate modifiers and proposes to enable NEM and NBT participation when HFP 2.0 is implemented. PG&E currently plans to implement HFP 2.0 by January 1, 2029, and will seek to accelerate that timeline depending on the timing of regulatory approvals and implementation constraints. Once PG&E receives a final decision from the CPUC on its HFP Stop-Gap Proposal, estimated to occur mid-2027, PG&E has requested authorization to file an Implementation Advice Letter to the CPUC to outline a more detailed implementation plan and cost estimate based on the rate and program design ultimately approved by the CPUC. As is described in PG&E's HFP Stop-Gap Proposal (Attachment B), HFP 2.0 would replace subscriptions with a simpler and more transparent pricing structure that will better facilitate participation by NEM and NBT customers.

The current HFP pilots rely on a subscription construct that requires establishing an expected usage profile and comparing actual usage against that baseline. Through pilot

²⁵ PG&E's total residential service agreements total approximately 4.9 million.

²⁶ As of July 23, 2026.

evaluation and customer research,²⁷ PG&E found that customers and Automated Service Providers (ASPs) often found the subscription construct confusing and difficult to use when responding to hourly prices. As a result, shifting usage to lower-priced hours did not always translate into bill savings in a manner that customers could easily understand.

These challenges are amplified for NEM and NBT customers because the subscription must account for both customer consumption and exported generation. Variations in customer usage patterns and solar production that affect imports from, and exports to, the grid make it difficult to establish a meaningful subscription baseline, particularly for customers with limited historical data. PG&E is therefore concerned that applying the current subscription structure to NEM and NBT customers would create unnecessary complexity, weaken price transparency, and adversely affect the customer experience. For these reasons, PG&E's plan is to defer implementation of NEM and NBT participation to HFP 2.0 under which PG&E's Stop-Gap Proposal would eliminate the subscription construct and move to a clearer HFP pricing framework.

PG&E cautions that, while PG&E will seek to enable HFP 2.0 for NEM and NBT customers on the same schedule as non-NEM/NBT customers, PG&E's past experience has shown that complex implementations are best done in stages, and implementation of HFP 2.0 for NEM/NBT customers may take longer.²⁸ The multitude of NEM variations have resulted from decades of evolution of the framework by which the CPUC has set policies on how to compensate customers with solar and other on-site renewable energy technologies:

- Starting in 1996, there was Net Energy Metering, or NEM, which compensated customers at retail rates for exports to the grid.²⁹
- In 2016, a NEM successor tariff was developed. Commonly referred to as NEM2, it is calculated differently from NEM, namely in its approach to recovering non-bypassable charges.³⁰

²⁷ Christensen and Associates, Aug 3, 2026. Mid-Term Evaluation of PG&E's Hourly Flex Pricing Pilot. 2) Escalant, Aug 3, 2026. PG&E Hourly Flex Pricing (HFP) Pilot Process and Customer Experience: Summary 3) Christensen and Associates, Aug 3, 2026. PG&E Vehicle-to-Everything (V2X) Pilot Process and Customer Experience: Summary 4) Mid-Term Evaluation of PG&E's Vehicle-Grid Integration Pilot.

²⁸ As identified when working with CEC staff on determining the number of applicable Rate Identification Numbers (RINs), PG&E has 10,000+ rate permutations when factoring in rate adders (e.g., CARE, FERA, Medical Baseline, etc.), voltage classes, critical peak pricing programs, NBT vintage years, and NEM variants.

²⁹ CPUC Decision 16-01-044, pp. 12-13.

³⁰ *Id.*, p. 3.

- In 2022, the CPUC developed NBT which compensates customers at the administratively-determined CPUC avoided costs (with different vintages for every year that are locked in for 9 years), rather than tying export compensation to the customer's rate.³¹

Because of this 20-year legacy treatment, PG&E currently supports three major structures of rate modifiers that govern solar/renewable export compensation, NEM, NEM2, and NBT, as well as further variations under each of those to account for dozens of sub-schedules of export compensation structures. These export compensation sub-schedules include structures for:

- Customers with solar paired with storage,
- Arrangements that allow for aggregating load and sharing export credits across meters,
- Arrangements for customers that have a combination of renewable and non-renewable generation, and
- Other variations.

In total, approximately 30 separate export compensation billing structures must be combined with the underlying rates and programs to perform accurate billing functions. Nevertheless, PG&E still plans to enable NEM and NBT participation when HFP 2.0 is implemented, estimated to occur by January 1, 2029.

3.5 Revised Regulatory and Implementation Timeline

In this sub-section, PG&E provides a revised timeline for and further describes PG&E's revised approach to meeting LMS guidance to make RTP rates available to customers by and after January 1, 2027. We describe the planned activities and milestones shown below in Figure 1. Please note that the timing shown in Figure 1 reflects PG&E's best understanding of timing as of submitting this application for modification; timelines may change due to adjustments to regulatory schedules and/or implementation opportunities and constraints.

a. PG&E's Stop-Gap Proposal for an Hourly Flex Pricing (HFP) 2.0

As discussed above, PG&E is proposing to make LMS-structured rates available to customers by extending and improving PG&E's RTP pilot rate offerings until refined post-pilot RTP rates can be built in PG&E's planned modernized billing system (lines 4-7 in Figure

³¹ CPUC Decision 22-12-056.

1). On June 8, 2026, as part of its 2023 GRC Ph II application, PG&E submitted a Stop-Gap Proposal to extend its current RTP pilots while implementing enhancements to the current HFP rate and program structure for an “HFP 2.0” (line 14).³² Feedback on that proposal will be provided by intervenors in testimony and briefings and the CPUC will issue a decision that will determine PG&E’s path forward.

Based on the regulatory schedule established for PG&E’s 2023 GRC II in the *Administrative Law Judge’s Ruling Setting Schedule for the Dynamic Rate Options Track* (ALJ Ruling), issued on January 7, 2026, a final CPUC decision on the Stop-Gap Proposal may not be issued until mid-2027 (line 15). After the final decision, PG&E has requested authorization to file an Implementation Advice Letter (AL) to the CPUC to outline a detailed implementation plan and cost estimate based on the rate and program design ultimately approved by the CPUC in its final decision (line 16). This is necessary because the CPUC’s directives for rate and program design in its final decision may differ substantially from what PG&E has proposed. That AL also will have to be approved by the CPUC (line 17).

If a final decision were to be issued in mid-2027 consistent with the ALJ Ruling, PG&E would not have sufficient time to implement the proposed pilot enhancements before the current pilot authorization expires on December 31, 2027. PG&E estimates that implementing the proposed changes for HFP 2.0 will require approximately 18 months following a final decision (although PG&E will continue to explore opportunities to accelerate implementation). Accordingly, PG&E has requested that the CPUC authorize funding for the existing HFP pilots to be extended through 2028 so that customers can continue participating in the pilots while HFP 2.0 is developed and implemented. PG&E anticipates implementing the revised HFP 2.0 pilots by January 1, 2029 (line 6), or sooner if the regulatory process and implementation efforts are able to progress more quickly.

³² Figure 2-1 in Chapter 2 of PG&E’s Stop-Gap Proposal also provides a visual representation of the timing for PG&E’s RTP rate offerings.

Figure 1. PG&E Revised Pathway to Offering LMS-Structured Rates.

[illegible]

Notes:

1.Timing reflects PG&E best understanding at the time of submitting this application for modification; timelines may change due to adjustments to regulatory schedules and/or implementation opportunities and constraints.

2. Pacific Gas and Electric Company Updates to Billing Modernization Initiative Timeline
Supplemental Testimony in A. 24-10-014, March 17, 2026, Figure 1-2.

 Regulatory Milestone (Approved)

Regulatory Milestone (Pending)

Implementation

Customer Rate Offering (Approved and Offered)

Customer Rate Offering (Subject to Approval)

b. Incorporating a Transmission RTP Price

As discussed in Section 3.3, PG&E proposes a phased transmission pathway. PG&E plans to complete analysis and design work for an interim transmission TOU component by December 31, 2027, including assessment of whether additional dynamic transmission pricing elements can be incorporated into that design. PG&E would implement the resulting transmission component as part of HFP 2.0, subject to necessary CPUC and FERC approvals, with implementation planned for completion by January 1, 2029, or sooner if possible (line 19 in Figure 1). PG&E's longer-term target is to incorporate transmission RTP no later than the start of the post-pilot RTP rate offering, estimated to begin January 1, 2032, subject to necessary regulatory approvals (line 20).

c. Billing Modernization and Post-Pilot RTP Rates

As discussed above, PG&E plans to implement post-pilot RTP rates within its modernized billing platform. PG&E is seeking funding for this system through its BMI application. A final decision in that proceeding, anticipated by Q1 2027, will help define the scope and capabilities of the proposed new platform (line 22). This will inform PG&E's development of a post-pilot RTP rate implementation plan to be presented in a future application (lines 24-28). This anticipated timeline means that permanent post-pilot RTP rates may not be available in PG&E's billing systems until 2032 at the earliest (line 7). As a result, PG&E proposes extending the HFP 2.0 pilots through at least 2031 (line 6). Additional extensions may be necessary depending on the timing of post-pilot RTP implementation in PG&E's proposed modernized billing system. PG&E will provide an updated plan for post-pilot RTP implementation in its future RTP application to the CPUC (line 25).

4. Next Steps

Following CEC action on this AFM, PG&E will continue to advance the necessary CPUC and FERC regulatory approvals needed to maintain and improve RTP availability for customers. In the near term, PG&E will pursue authorization of the Stop-Gap proposal to extend the existing HFP pilots while HFP 2.0 is developed, and undertake the implementation work necessary to transition to the revised pilot structure once approved. PG&E will also continue evaluating appropriate transmission price component rate design options, implementation requirements for NEM and NBT customers, and the timing for implementing post-pilot RTP rates in PG&E's modernized billing system. PG&E will keep the

CEC informed of material regulatory or implementation developments that affect the timeline and will continue working toward a durable and effective pathway for LMS-structured rates.

5. Attachments

A. Definition of Key Terms used in this Application and PG&E's Stop-Gap Proposal

The hourly “marginal cost-based rates,” which the LMS define and refer to, have been called by different names in California policy-making and regulatory proceedings. PG&E here attempts to clarify how we have referred to, and what we mean by, the terms used to refer to such rates in this application and its attachments. When referring to retail electricity rates that change hourly based on electric system conditions, PG&E has generally called such rates “Real-Time Pricing” (RTP) rates. Retail RTP rate offerings usually provide hourly price signals on a day-ahead basis, despite the term “real time.”³³

At the federal level, the Federal Energy Regulatory Commission (FERC) defines RTP as a “Rate or price structure in which the retail price for electricity typically fluctuates hourly or more often, to reflect changes in the wholesale price of electricity on either a day-ahead or hour-ahead basis.”³⁴ In the context of the Demand Flexibility Rulemaking (R.) 22-07-005, through which the CPUC provided guidance on RTP rates, the CPUC referred to hourly rates as “demand flexibility rates”.³⁵ The CPUC has also referred to such rates as “dynamic rates”³⁶, though that is a broader term that has also been applied to other time-varying rates that respond to grid conditions, such as critical peak pricing rates.³⁷ PG&E will use the term Real-Time Pricing or “RTP” when referring generally to hourly day-ahead electricity rates that dynamically respond to electric system conditions.

Please note that PG&E named the RTP pilots that PG&E has been running since late 2024 and were authorized by CPUC D.24-01-032, the “Hourly Flex Pricing (HFP)” Pilots that were also called the “Expanded Pilots” in the related regulatory proceedings. We will use the term **“HFP”** to refer to the pricing structure associated with PG&E’s RTP pilots and

³³ A.19-11-019, Pacific Gas and Electric Company 2020 General Rate Case Phase II, Exhibit (PG&E-RTP-1), Chapter 2, pp. 2-3 to 2-4.

³⁴ FERC Form 731 Glossary: <https://www.ferc.gov/sites/default/files/2020-06/Instructions-Glossary.pdf>

³⁵ D.25-08-049 p.3

³⁶ See for example, the CPUC’s Enhanced Demand Response Order Instituting Rulemaking (EDROIR) R. 25-09-004, p.4.

³⁷ See for example, CPUC (D.) 08-07-045, Fn.11, p.6.

“RTP” to refer more generally to hourly day-ahead rates. When PG&E refers to **“LMS-structured RTP rates,”** we mean RTP rates that include time-varying generation, distribution, and transmission price components.

B. PG&E's Testimony Supporting Stop-Gap Interim RTP Pilots Extension Proposal, submitted to the California Public Utilities Commission on June 8, 2026 in A.24-09-014

C. Pacific Gas and Electric Company 2020 General Rate Case Phase II Transmission Time-of-Use Rate Study Report, submitted to the CPUC on November 18, 2022 in A.19-11-019.