PACIFIC GAS AND ELECTRIC COMPANY
Risk Spending Accountability Report Discovery 2025
Data Response

PG&E Data Request No.:	ED_003-Q004
PG&E File Name:	RSARDiscovery2025_DR_ED_003-Q004
Request Date:	October 7, 2026
Requester DR No.:	003
Requesting Party:	Energy Division
Requester:	Abigail Bender
Date Sent:	October 21, 2026
PG&E Witness(es):	N/A

QUESTION 004

O&M UNDERSPEND

Capitalization

PG&E has stated that certain O&M program expenditures and associated work were recorded as capital expenditures. For example, under Attachment 4 – Electric Distribution, tab "Electric MAT Table Expense," MAT GAD, PG&E indicates that expenses and work were recorded in MAT 07R because pole reinforcement work was capitalized.

DR Question:

Please identify all O&M programs reported in the 2025 RSAR for which O&M expenses and/or work units were capitalized and recorded in a capital program or MAT.

ANSWER 004

For purposes of responding to this question, PG&E interprets "O&M expenses and/or work units were capitalized and recorded in a capital program or MAT" as programs that were forecast as expense in the 2023 GRC, but have components that have subsequently been recorded as capital based on an evaluation of the work, and in accordance with FERC accounting standards. Please see PG&E's responses below, listed according to where the forecast request was presented in the 2023 GRC.

Gas Operations

1. **Meter Protection bollard installation** – As explained in RSARDiscovery2025_DR_ED_002-Q001, the Meter Protection Program includes installation of meter protection bollards, relocation of the meter set and service replacement to achieve vehicular protection, and relocating the meter set due to an inaccessible service valve. The relocation costs are capitalized only when the relocation is necessitated by the installation of a retirement unit. In the 2023 GRC, installation of meter protection bollards was considered expense and was forecast and adopted under

MAT EXB. However, bollards are a physical asset with a useful life similar to the meters and risers they protect. Therefore, effective January 1, 2024, installation of meter protection became a capital expenditure and is now recorded under MAT 27A.

2. **Threshold to capitalize transmission and distribution pipe coating from 100 feet to 40 feet** – PG&E modified its capitalization threshold for pipe coating from 100 feet to 40 feet, which is consistent with other utilities. Coating and recoating of gas piping is not a maintenance activity provided the coating meets the retirement unit threshold. PG&E treats costs incurred directly to install or replace a complete retirement unit which has an expected life of one year or greater as capital. Gas MAT codes that may be impacted by this change include expense MAT codes GJB, FHL, FHN, GJC, GJM, HPU, HPN and capital MAT codes 50D, 3KA, 3K7, 3K5, 75V, 75S.

Electric Distribution[1]

1. **MAT GAD (Pole Reinforcement)** – Pole reinforcement costs were recorded in capital MAT 07R beginning in 2024[2] because the pole reinforcements meet the criteria for capitalization as the addition of a retirement unit to FERC Electric Plant Account 364, which lists “reinforcing and stubbing” as one of the applicable retirement unit items.
2. **MAT GEP (Remote Sensing Data Collection)** – Software development work associated with remote sensing was recorded in capital MAT 21#. Data collection, which is an expense activity remained charged to expense MAT GEP. MAT GEP is reported as part of MWC GE in the RSAR.

Shared Services/IT (MWC JV, MWC 2F)

1. **Prepaid Software Licenses and Hardware Maintenance Agreements** – PG&E operationalized a policy change requested and adopted in the 2023 GRC to capitalize prepaid third-party service agreements when purchasing new IT hardware or software, as the service agreements are integral to the operation of the hardware/software and should be considered an extension of the asset.
2. **Cloud Services (Software As A Service) Used for Software Development** – PG&E operationalized a policy change requested and adopted in the 2023 GRC to capitalize expenses related to implementing Cloud Computing Contract when it is used to develop a software application solution. This allowed PG&E to better implement Cloud Computing Services while preventing the increase in expense costs. This policy change brought PG&E’s internal accounting policies in line with the Financial Account Standards Board standards.

---

[1] As described in the 2025 RSAR and in PG&E’s response RSARDiscovery2025_DR_ ED_003-Q005, Pole Test & Treat costs and associated units (MAT GAA) were incorrectly recorded in capital MAT 07I. This correction will be reflected in the 2026 RSAR.

[2] Prior to 2024, PG&E capitalized pole reinforcement only when it supported or increased load capacity. However, FERC Electric Plant Account 365 - Poles, towers, and fixtures allows pole reinforcement itself to be treated as a retirement unit, so PG&E’s capitalization policy was adjusted to permit capitalization of all pole reinforcement.