

Decision 19-06-008 June 13, 2019

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the
Commission's Own Motion to Determine
Whether Pacific Gas and Electric Company
and PG&E Corporation's Organizational
Culture and Governance Prioritize Safety.

Investigation 15-08-019

**INTERIM DECISION ORDERING REPORTING OF SAFETY EXPERIENCE
AND QUALIFICATIONS OF THE BOARD OF DIRECTORS OF PACIFIC GAS
AND ELECTRIC COMPANY AND PG&E CORPORATION AND
ESTABLISHING ADVISORY PANEL ON CORPORATE GOVERNANCE**

Summary

This decision directs Pacific Gas and Electric Company (PG&E) and PG&E Corporation (PG&E Corp.) to provide information about the safety experience and qualifications of independent directors on the board(s) of PG&E and PG&E Corp. The Commission is establishing a Commission Advisory Panel on Corporate Governance. This proceeding remains open.

1. Background

This Order Instituting Investigation (OII or Investigation) is evaluating whether the organizational culture and governance of Pacific Gas and Electric Company (PG&E) and PG&E Corporation (PG&E Corp.) prioritize safety and adequately direct resources to promote accountability and achieve safety goals and standards.

In Decision (D.) 18-11-050 in this proceeding, the Commission ordered PG&E to promptly implement the recommendations of the Commission's Safety and Enforcement Division (SED) as set forth in a report prepared by the NorthStar Consulting Group (NorthStar Report). PG&E agreed with the NorthStar Report recommendations, supported the Commission's adoption of the NorthStar Report recommendations, committed to completely implement those recommendations, and testified that PG&E expected to have 95% of the recommendations implemented by the end of 2018. (D.)18-11-050 at 3; PG&E Opening Brief at 9.)

The first recommendation listed in the Summary of Recommendations on page I-12 of the NorthStar Report, in the category of Governance and Strategy, and identified as a high priority, is:

Add safety to the list of qualifications used in selecting Independent Directors to the Board(s) of PG&E Corp. and PG&E. Periodically revisit the qualifications matrix and requirements for Independent Director as the industry and requirement change. Add Independent Directors to the Board who have experience with safety, perhaps in another industry such as aviation.¹

In the course of the proceeding leading to the adoption of the recommendations in the NorthStar Report, PG&E requested that the Commission approve its plans for implementing the recommendations. In response, the Commission stated:

We neither approve nor reject PG&E's plans to implement the recommendations in the NorthStar Report. The recommendations for PG&E are clear, and PG&E is responsible for implementing them. While the Commission is heartened by PG&E's apparent responsiveness to the

¹ This recommendation also appears at III-21 of the NorthStar Report.

recommendations in the NorthStar Report, the Commission is reserving its judgment whether PG&E has effectively implemented them. The Commission wants to confirm that PG&E has implemented the recommendations, rather than pre-approve PG&E's plans for doing so. Results are a higher priority than intentions. (D.18-11-050 at 4.)

PG&E and PG&E Corp. recently announced the appointment of a large number of new directors to its Board of Directors.² On April 15, 2019, Richard Kelly, the former PG&E Corp. Board Chair and Chair of the Nominating and Governance Committee, spoke at the public forum in this proceeding, describing the selection process and qualifications of the new board members.³

The Commission will examine whether PG&E's appointment of the new directors is consistent with effective implementation of the recommendations in the NorthStar Report.

2. PG&E Compliance with Decision 18-11-050

PG&E has committed to complete implementation of the NorthStar Report recommendations by July 1, 2019. (D.18-11-050 at 7, citing PG&E Comments at 2.) As described above, these recommendations include a multi-part recommendation regarding the Board of Directors. PG&E has taken prompt action in announcing the appointment of new directors prior to July 1, 2019. In order to determine whether the appointment of the new directors is consistent with D.18-11-050, the Commission needs additional information.

² The Commission takes official notice of this action. (See, e.g., PG&E News Release, April 3, 2019.)

³ The agenda for the April 15, 2019 forum is attached to this decision as Appendix A.

Accordingly, PG&E and PG&E Corp. are to provide the following information for each board member⁴ via a compliance filing in this proceeding within 20 days of the effective date of this decision:

- 1) Any safety-specific education and training received, including any education or training relating to corporate safety culture or safety management programs, with dates, provider and any certifications.
- 2) All direct, supervisory or management level safety-specific work experience, including all experience with corporate safety culture or safety management programs, with dates, job title, and including both general job duties and safety-specific job duties.
- 3) All safety-specific board of director experience, including specific safety committees served on, dates of service, the scope of committee jurisdiction, and any experience relating to corporate safety culture or safety management programs.
- 4) All other previous and current board positions at other organizations, including dates, names of companies, and any special duties or offices.
- 5) All other current professional commitments, including employment, consulting or other contract work, and any significant and ongoing volunteer work.

PG&E and PG&E Corp. are to provide the following information in the quarterly reports submitted to SED pursuant to D.18-11-050:

- 1) Non-confidential versions of the minutes of all board meetings and safety committee meetings.
- 2) All training, education or other support on safety that PG&E and PG&E Corp. are providing to board members to ensure that they can adequately perform their duties on safety issues.

⁴ For consistency and convenient reference, PG&E and PG&E Corp. are to provide this information for all board members.

3. Advisory Panel on Corporate Governance

In order to provide the Commission with additional expertise on corporate governance issues, including issues relating to the qualifications and performance of utility boards of directors, the Commission is establishing a CPUC Advisory Panel on Corporate Governance, consisting of a panel of experts that can advise the Commission on corporate governance issues.

4. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Allen in this proceeding was mailed to the parties in accordance with Section 311 of the Public Utilities Code, and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by PG&E and PG&E Corp., EMF Safety Network, William B. Abrams and the Commission's Public Advocates Office and Office of the Safety Advocate. Reply comments were filed by PG&E and PG&E Corp. and The Utility Reform Network. Minor changes to the proposed decision were made in response to comments.

PG&E and PG&E Corp. request clarification that the required reporting of non-confidential minutes of Board or Board committee meetings be (1) prospective and (2) limited to the portions that refer or relate to safety. We clarify that the reporting required by this decision is prospective only. We decline to limit the scope of topics covered by that reporting.

5. Assignment of Proceeding

Michael Picker is the assigned Commissioner and Peter V. Allen is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Decision 18-11-050 ordered PG&E Corp. and PG&E to add safety to the list of qualifications used in selecting Independent Directors to the Board(s) of PG&E Corp. and PG&E.
2. Decision 18-11-050 ordered PG&E Corp. and PG&E to add Independent Directors to the Board who have experience with safety.
3. PG&E Corp. and PG&E recently announced the appointment of new Independent Directors.
4. The Commission has limited in-house expertise on corporate governance issues.

Conclusions of Law

1. The Commission should determine whether PG&E Corp. and PG&E are complying with the provisions of D.18-11-050 relating to Independent Directors.
2. The Commission should obtain outside expert advice on corporate governance issues.

ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company and PG&E Corporation are to provide the specified information for each board member by a compliance filing in this proceeding within 20 days of the effective date of this decision.
2. Pacific Gas and Electric Company and PG&E Corporation are to provide the specified information in the quarterly reports submitted to the Commission's Safety and Enforcement Division pursuant to Decision 18-11-050.
3. The Commission is establishing a Commission Advisory Panel on Corporate Governance.

4. Investigation 15-09-019 remains open.

This order is effective today.

Dated June 13, 2019, at Sacramento, California.

MICHAEL PICKER

President

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

Commissioners

Commissioner Liane M. Randolph, being necessarily absent, did not participate.