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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of Regionalization Proposal. (U39M)	Application No. 20-06-____

APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 M) FOR APPROVAL OF REGIONALIZATION PROPOSAL

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Dated: June 30, 2020

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of Regionalization Proposal. (U39M)	Application No. 20-06-____

APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 M) FOR APPROVAL OF REGIONALIZATION PROPOSAL

Pacific Gas and Electric Company ("PG&E" or "Company") respectfully submits this application ("Application")[1] to the California Public Utilities Commission ("Commission") for approval of its Regionalization Proposal, which is one step in our effort to transform PG&E into a safer and more reliable utility. PG&E's Regionalization Proposal, provided as Attachment A to this Application, is a starting point, not an end point. PG&E looks forward to working with the Commission, parties to this proceeding, customers, and other stakeholders to continue to develop and refine this proposal.

I. INTRODUCTION

This Application follows PG&E's commitment in the Plan of Reorganization Order Instituting Rulemaking ("I.") 19-09-016 ("POR OII")[2] to reorganize our operations into new regions to further improve safety and reliability and be more responsive to the needs of our customers. It also follows the Commission's directions in that proceeding regarding the content

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1 PG&E submits this Application pursuant to Ordering Paragraph 3 of Decision ("D.") 20-05-053 and Article 2 of the Commission's Rules of Practice and Procedure.

2 *See Order Instituting Investigation on the Commission's Own Motion to Consider the Ratemaking and Other Implications of a Proposed Plan for Resolution of Voluntary Case filed by Pacific Gas and Electric Company, pursuant to Chapter 11 of the Bankruptcy Code, in the United States Bankruptcy Court, Northern District of California, San Francisco Division, In re Pacific Gas and Electric Corporation and Pacific Gas and Electric Company, Case No. 19-30088,* I.19-09-016 (Sept. 26, 2019).

of PG&E's proposal.[3] PG&E's Regionalization Proposal answers Governor Newsom's call for PG&E to "become a new and transformed Company, positioned to meet its commitments to the people of California . . . "[4]

Restructuring around a regional operating model will help refocus the Company on core operations, our customers, and the frontline employees who serve them. Together with other initiatives, regionalization will address issues of local control and redesigned core business processes that balance appropriate standardization with local decision making that is better informed by deeper knowledge of local customers, assets, and conditions.

PG&E proposes to divide its service area into five new regions. PG&E's Regionalization Proposal describes the development of these regions, plans to hire new regional leadership, and a new regional organization structure that moves certain work to local regions for both scheduling and execution. PG&E will monitor the success of the regions through metrics, some of which will be reviewed in another Commission proceeding regarding PG&E's operational and safety metrics. PG&E will use the metrics to measure the progress from this regionalization effort and course correct if necessary.

Regionalization will not address every issue and challenge that we face. We are also undertaking other key initiatives which will collectively change the way we do business. These other initiatives will be implemented to improve safety, data governance, asset management, work management, and customer experience. Regionalization, along with these other enterprise-wide initiatives, will help PG&E emerge as a company with an increased focus on safety and operational excellence.

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[3] D.20-05-053, p. 52 ("POR Decision").

[4] *Governor Gavin Newsom's Statement In Support of Debtors' Motion Pursuant to 11 U.S.C. §§ 105 and 363 and Fed. R. Bankr. P. 9019 For Entry Of An Order (I) Approving Case Resolution Contingency Process And (II) Granting Related Relief*, U.S. Bank. Ct., Northern Dist. Of California, p. 2 (Mar. 20, 2020).

II. BACKGROUND AND BASIS FOR AUTHORIZATION

On September 26, 2019, the Commission opened the POR OII to review PG&E's and PG&E Corporation's Plan of Reorganization, including regulatory approvals required by Assembly Bill ("AB") 1054 ("POR OII").[5] On February 18, 2020, Commission President Marybel Batjer issued the *Assigned Commissioner's Ruling and Proposals*, in which she proposed, among other things, that PG&E submit a regional restructuring plan as it proposed in its opening testimony, by June 30, 2020.

The Commission, in its POR Decision, confirmed Commission President Batjer's instructions to file an application by June 30, 2020, provided more detail about the contents of the Regionalization Proposal, and acknowledged that because regionalization is complicated and requires a thoughtful process, some details would be worked out during the course of the proceeding.[6] The Commission also required PG&E to take affirmative steps towards regionalization before a Commission decision is issued, including steps needed to retain Regional Vice Presidents and Regional Safety Leaders.[7] The Commission required PG&E to address in its Regionalization Proposal its proposed regions, governance structure, regional roles and responsibilities, customer impacts, and plans to evaluate the performance of the regions, among other issues.[8]

PG&E Corporation and PG&E committed to a substantial change in the makeup of their Boards related to their emergence from Chapter 11. PG&E Corporation and PG&E announced on June 10, 2020 the selection of eleven (11) new Board members, who are to be seated on or before the Effective Date of the Plan of Reorganization. Following the seating of the new Boards, the Boards will elect members to reconstituted Safety and Nuclear Oversight ("SNO") Committees.

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5 Assem. Bill. No. 1054, Stats Ch. 79 (2019-2020 Reg. Sess.).

6 D.20-05-053, pp. 55-57.

7 *Id.,* pp. 57, 104.

8 *Id.*, pp. 50-51. PG&E's compliance with the POR Decision regarding the contents of the Regionalization Proposal is discussed in Section IX of the Regionalization Proposal.

After the new Board and SNO Committees are seated, they will review the Regionalization Proposal and may propose changes. PG&E proposes a schedule in Section VIII.H below that includes an opportunity for PG&E to update the Regionalization Proposal to respond to internal and external feedback. Thus, while PG&E has provided a robust proposal to the Commission to commence this proceeding, we are fully cognizant that this proposal will likely evolve and improve with stakeholder feedback.

III. OVERVIEW OF THE REGIONALIZATION PROPOSAL

A. Objectives

PG&E's recent operational outcomes have been unacceptable. The goal of PG&E's Regionalization Proposal is, quite simply, to become a better utility and to provide superior customer service. Regionalization is one part of PG&E's effort to become an operationally excellent company, which will make us safer, more reliable and more responsive to our customers. The success of this effort will be measured through our operational outcomes. Our top priority will be to deliver sustained and significant improvement across our service area.

B. Proposed Regions

PG&E's new organization will include five regions: North Coast, Sierra, Bay Area, Central Coast, and Central Valley.[9] The regional boundaries will align with county boundaries, so that we can better coordinate with local governments and other agencies, including in emergency response. These boundaries were defined to bring together adjacent counties with similar customer and operational characteristics, creating regions that each have unique profiles. Improved knowledge of the distinct customer and operational needs of each region will allow regional leadership to focus on their specific operational challenges and help create greater focus, experience, and skill alignment for regional teams.

[9] Regionalization Proposal, Section IV.

Additional considerations to define the boundaries included: the size of proposed regions so that they could be effectively and efficiently managed, operational, risk and safety considerations, congruence with CAL FIRE's operational units, and employee feedback.

Based on these considerations, we designed five regions which include the following counties:

Regions	Counties Included
Region 1 (North Coast)	Colusa, Glenn, Humboldt, Lake, Mendocino, Napa, Sacramento, Solano, Sonoma, Trinity, and Yolo
Region 2 (Sierra)	Alpine, Amador, Butte, El Dorado, Lassen, Nevada, Placer, Plumas, Shasta, Sierra, Siskiyou, Sutter, Tehama, and Yuba
Region 3 (Bay Area)	Alameda, Contra Costa, Marin, San Francisco, and San Mateo
Region 4 (Central Coast)	Monterey, San Benito, San Luis Obispo, Santa Barbara, Santa Clara, and Santa Cruz
Region 5 (Central Valley)	Calaveras, Fresno, Kern, Kings, Madera, Mariposa, Merced, San Bernardino, San Joaquin, Stanislaus, Tulare, and Tuolumne

These regions will likely be divided into smaller geographic areas such as divisions after regional leadership is in place to promote efficient work and coordination.

C. Regional Leadership

The Commission's POR Decision requires PG&E to engage its Regional Vice Presidents and Regional Safety Directors by June 1, 2021, one year from the date of the decision.[10] PG&E's Regionalization Proposal details the job responsibilities for each of these positions, and the steps PG&E will take to select the best suited candidates for each region.[11]

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[10] D.20-05-053, pp. 57, 104.

[11] Regionalization Proposal, Section V.C.1.

The Regional Vice President[12] will report to the PG&E Chief Executive Officer ("CEO") and will be accountable for making measurable and sustainable improvements in the following areas:

- Safety and reliability of our regional operations, which will be improved by working closely with leaders and operations groups across the enterprise;
- Reducing risk by increased knowledge of local conditions and monitoring work to mitigate those risks throughout the assigned region;
- Establishing collaborative relationships with customers, business organizations, local regulatory bodies, and other community groups;
- Directing a diverse team of represented and non-represented professionals responsible for the maintenance, construction, planning and restoration activities for the gas and electric distribution systems; and
- Meeting financial targets established through integrated resource planning and utilization at a regional level.

The Regional Safety Director will report to the Chief Safety Officer ("CSO") and will also support the Regional Vice President and success of the regions. The Regional Safety Director will be responsible for:

- Monitoring and improving safety performance across the assigned region, including collaboration with the other Regional Safety Directors;
- Leading implementation of best practices and providing independent oversight of safety practices at a regional level; and
- Leading groups of other safety professionals in their regions who will monitor performance, train others, and assist and crews in the best safety practices.

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12 The Regional Vice President will be a PG&E officer; PG&E has not yet determined the appropriate title. For the purposes of this Regionalization Proposal, PG&E refers to these officers as Regional Vice Presidents. PG&E defines "executive officer" consistent with Rule 16a-1(f) and Rule 3b-7 under the Securities Exchange Act of 1934; PG&E currently has five such executive officers. PG&E anticipates designating the leader of each region as a vice president-level position, which would not alone qualify them as "executive officers."

For all the regional leadership positions, in addition to identifying individuals with the appropriate skills and experience, PG&E will seek to create a balanced and multi-disciplinary regional leadership team that reflects the communities we serve. PG&E will focus on soliciting proposals from diverse search firms to identify a diverse set of candidates through the recruitment and hiring process.

D. Regional Responsibilities

PG&E developed its Regionalization Proposal using information from three primary sources: (1) industry comparisons; (2) stakeholder feedback; and (3) employee feedback.[13] PG&E developed specific criteria to determine which functions should move to a region over time based on this information. This criterion and our analysis are discussed at length in the Regionalization Proposal.

The new regions will include five functional groups that report to the Regional Vice President encompassing various functions including: (i) Customer Field Operations, (ii) Local Electric Maintenance and Construction ("M&C"), (iii) Local Gas M&C, (iv) Regional Planning and Coordination, and (v) Community and Customer Engagement.[14] Each functional group will be led by a manager, senior manager, director or senior director who will report to the Regional Vice President.

1. Customer Field Operations

This new organization will respond to customer-driven work, including New Business, Work Requested by Others and routine emergencies. This team will oversee PG&E's compliance with its public safety and system reliability responsibilities and be responsible for executing on the safe and timely delivery of customer-driven work. This will encompass Service Planning for new business, meter operations, Gas Field Services and Electric Troublemen for immediate response. Customer Field Operations will have dedicated resources that prioritize the

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[13] Regionalization Proposal, Section V.B.

[14] Regionalization Proposal, Section V.C.

delivery of this work to reduce delays and the number of hand-offs. Our Electric Troublemen and Gas Service Representatives will continue to operate largely as they do today, coordinating as necessary with the M&C teams.

2. Local Electric Maintenance and Construction

This organization will focus on maintaining and constructing the electrical grid safely, on time, at the highest quality, and with minimal customer disruption. This group will be responsible for public safety and system reliability for customers through the completion of necessary inspection, repairs and maintenance of the grid. Regional Superintendents will have responsibility for locally dedicated M&C teams. These crews will specialize in and focus on planned M&C work and reduce volatility in weekly schedules. This will improve production, allowing the same crews to complete more of the critical network maintenance work in a timely manner. Local Superintendents who oversee the M&C crews will take over the scheduling of local resources to provide more end-to-end control over the workflow. This will reduce hand offs across functional groups, improve workflow and increase the capacity to complete critical network maintenance and construction. Greater control over workflow by the local Superintendents will also increase their accountability and ownership for operational outcomes, which will improve performance.

3. Local Gas Maintenance and Construction

This organization will complete the necessary M&C of the gas distribution system safely, on time, at the highest quality, and with minimal customer disruption. This group will be responsible for public safety and system reliability through the completion of necessary inspections, repairs, and maintenance of the gas system. Regional leaders will have responsibility for locally dedicated M&C teams and will specialize and focus on these work types. This will improve production by allowing the same crews to complete more of the critical network maintenance work in a timely manner. Local Superintendents who oversee the M&C crews will also gain new responsibility over local scheduling and estimating resources. This change will create a local team, directed by a leader with more end-to-end control over the workflow, and will reduce hand offs across functional groups, make the estimating and scheduling functions more responsive to the needs of frontline operators, improve workflow and increase the capacity to complete critical network maintenance and construction. Greater control over workflow by the local Superintendents will also increase their accountability and ownership for operational outcomes, which should improve performance.

4. Regional Planning and Coordination

This team will offer services that are necessary to successfully complete field operations in the region in a consistent, integrated way across both commodities. These services will include work plan integration, reliability engineering, clerical support, and permitting. Pooling these services at a regional level will help integrate them with local teams and creates cost efficiencies. The regions will be appropriately staffed and will coordinate work to minimize customer disruption. This group will also provide the regional team with visibility on any work being done locally by central resources (including vegetation management, general construction, transmission, etc.) and coordinate efforts where possible. Reliability engineering will identify local system needs and coordinate with the central asset management, so these needs are understood and integrated into investment planning and work priorities. Clerical will support our field crews with appropriate documentation and records for their work.

A regional permitting team will handle permitting with local governments, while a central team will continue to handle all other permitting. This will simplify interactions with local governments issuing the ministerial permits we need to do our work and help address applicable permitting requirements.

5. Community and Customer Engagement

This team will continue to build on our existing collaborative relationships with local communities and customers in the regions and serve as a communications channel. This team will likely encompass functional teams focused on local customer engagement including communications, community engagement, local customer service, planned outage notification, local government and school account management, and public safety. Handling these functions within the region will provide a dedicated focus on local customer and community needs, allow us to tailor activities based on the unique needs of the region, and foster integration with the operations teams executing the work. These teams will coordinate with our operations teams to be troubleshooters with local governments and agencies on issues they are facing. The regional Community and Customer Engagement Team will coordinate with the centrally managed Regulatory and External Affairs and Customer Care teams to benefit from centralized practices, messaging, and expertise to drive consistency and improvement across our service area.

E. Centralized Functions

At the end of this phased regional implementation, many operational functions will remain centralized where system-wide decision making, standards, and efficiencies of scale provide significant benefits. Our major performance improvement initiatives will also address these central functions.

Separate, central organizations for Electric Operations and Gas Operations will set consistent standards and policies for the operational work done in the regions as well as oversee that work from an inspection and compliance perspective. They will also retain management of work that requires consistency, common standards, and decisions about issues that should be consistent throughout the service area. These include asset management, all transmission and substation work, general construction, major construction programs, compliance across all field operations including that managed by the region, continuous improvement teams, and enterprise-wide programs, such as vegetation management.

Risk Management will remain centralized. The role of the Chief Risk Officer ("CRO") is being enhanced and the CRO will report to the PG&E Corporation CEO and SNO Committees and Audit Committees of the Board of Directors. Risk Management will continue to identify, assess, mitigate and monitor risks across the enterprise to drive consistency and keep management focused on taking appropriate actions on the top risks.

Enterprise Health and Safety ("EHS") will remain centralized. The role of the CSO has been expanded to include public safety. The CSO also reports to the PG&E Corporation CEO; the Regional Safety Directors will report to the CSO to provide independent judgment on safety practices and establish best practices throughout PG&E.

The majority of the existing Customer Care and Regulatory and External Affairs organizations will remain centralized except for a few local teams that will move to each regions' Community and Customer Engagement team as discussed above. Energy Supply, Power Generation, Shared Services, Human Resources, Finance, General Counsel and other support organizations will remain centralized. Each of these organizations will work closely with regional leadership to support the regions and drive consistency across PG&E, where appropriate.

IV. METRICS AND EVALUATION

We expect regionalization to contribute to improvements in many of PG&E's enterprise operational outcomes and we will evaluate the success of regionalization in part by our ability to improve them. The Commission has indicated that it "will initiate a new proceeding or a track within an existing proceeding to establish the Safety and Operational Metrics [for PG&E] with the input of parties."[15] PG&E is developing a set of enterprise-level safety and operational metrics to propose in the designated proceeding that are measurable, outcome oriented, and can be benchmarked against our peers. In combination, these measures will provide a holistic perspective of our performance.

PG&E will propose in the designated proceeding rather than in this proceeding the enterprise metrics that could also be considered to evaluate the effectiveness of our regionalization implementation. PG&E anticipates a subset of the enterprise metrics that we align on with stakeholders and the Commission in the designated proceeding will be impacted by regionalization. Once this subset of metrics has been determined, PG&E will establish a process

[15] D.20-05-053, p. 42.

to measure and track these metrics at a regional level and use them in the performance evaluations and compensation of specific region leaders, including the Regional Vice Presidents. Reviewing the metrics in a single proceeding will avoid duplication of efforts and potentially inconsistent outcomes. While no final decision has been made regarding the metrics that should be used to measure the regions' performance, PG&E proposes to focus its regions on the following areas: (1) Safety; (2) Customer Commitments; (3) Customer Experience; (4) Reliability; and (5) Employee Experience.[16] PG&E will continue to refine its metrics and define how these will cascade to the regions as we solidify the enterprise metrics; finish designing the regional structure; and receive input from internal and external stakeholders.

V. PUBLIC ENGAGEMENT AND REGULATORY PROCESS

In addition to using industry information to design the regions and assign regional responsibilities, PG&E considered: (1) party feedback in the Safety Culture OII and the POR OII; (2) preliminary feedback of certain stakeholders PG&E contacted before this Application was filed; and (3) employee feedback derived from an all-employee survey and more than 74 leadership and employee consultations.[17]

Following this filing, PG&E will contact Commission staff, parties to this proceeding, local governments, tribal officials, and other important stakeholders to discuss PG&E's plans and obtain feedback and suggestions to improve PG&E's Regionalization Proposal.[18] PG&E is also proposing to conduct workshops to obtain feedback on the Regionalization Proposal.

VI. PHASED APPROACH TO IMPLEMENTATION

PG&E's regionalization efforts will address local control and accountability *and* redesigned core business processes in parallel to other critical initiatives that balance appropriate standardization and frontline focus. One of our most important principles in implementing our

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[16] Regionalization Proposal, Section VIII.

[17] Regionalization Proposal, Section III.B.2.

[18] Regionalization Proposal, Section VII.

Regionalization Proposal is to not lose any ground as we continue to accelerate our progress on reducing the risk of wildfire from our assets and improve our public and workforce safety profile. PG&E will be purposeful in implementation of its Regionalization Proposal and we will move forward in phases by putting in place the right processes, governance and oversight, metrics and leaders to be successful. Teams will move into the regions once the necessary capabilities in our processes, systems, governance, and people are in place for them to be successful. We expect key customer and community focused teams to be in the regions ahead of the 2021 wildfire season. PG&E provides a tentative timeframe for action on its Regionalization Proposal below which will change as regionalization progresses.[19]

A. Phase 1: Design & Planning

Following the submission of the Application, we will work with parties and other stakeholders to develop the plans in further detail and validate the regional design. PG&E will work on the detailed organizational design, including in-depth accountabilities and governance for the region, staffing, process and role changes, and infrastructure requirements. Once PG&E has detailed these design changes, we will transition to detailed implementation planning in the fourth quarter 2020 to enable a seamless transition to PG&E's new regional model.[20]

B. Phase 2: Regional Leadership & Safety and Community/Customer Focus

In early 2021, we anticipate the necessary information technology systems, real estate, and hiring processes will be in place to begin the initial build out of the regional organizations, with the installation of the Regional Vice Presidents and Regional Safety Directors. This necessarily will require PG&E to incur costs to establish the regional model while this Application is pending. Community and Customer Engagement, followed by the integrated Customer Field Operations team, will also likely be established in the regions in 2021. Moving Customer Field Operations will accelerate the focus of different work groups on different types

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[19] Regionalization Proposal, Section VI.

[20] Regionalization Proposal, Section VI.C (describing Phase 1).

of work and to continue improving delivery on customer commitments. Throughout implementation, regions may follow different timelines based on readiness (e.g., the hiring of a Regional Vice President). Regardless of these differences, we expect to make significant progress to establish all the regions in 2021.[21]

C. Phase 3: Integrated Local M&C & Regional Planning and Coordination

While the Gas and Electric M&C crews work locally today, shifting their reporting to a regional organization and creating more integrated M&C teams with local control over upstream functions like estimating and permitting is not anticipated until 2022. This will give sufficient time to standardize and improve the enabling processes before moving them to regional control and provide central visibility and oversight to monitor whether these integrated teams function well and consistently across the system. The Regional Planning and Coordination functions will be moved under the Regional Vice Presidents in a staged manner over time (some may move in Phase 2 to support Customer Field Operations).[22]

VII. REGIONAL PLAN MEMORANDUM ACCOUNT

PG&E requests the Commission to authorize PG&E to establish a Regional Plan Memorandum Account ("RPMA") effective as of the filing date of this Application to record any incremental costs PG&E may incur in connection with development and implementation of regionalization as discussed above.[23] PG&E's request to establish a memorandum account and to make it effective as of the filing date of this Application is consistent with past Commission decisions.[24]

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[21] Regionalization Proposal, Section VI.D (describing Phase 2).

[22] Regionalization Proposal, Section VI.E (describing Phase 3).

[23] Regionalization Proposal, Section IX. F.

[24] D.19-01-019 at p. 10, Conclusions of Law (COLs) 1, 3 (authorizing the establishment of a memorandum account as of the application's filing date); D.18-11-051 at p. 10, COLs 1, 2 (same); and, D.18-06-029 at p. 18, COLs 1, 2 (same).

A memorandum account effective on the filing date is appropriate because PG&E will be required to incur costs to implement certain aspects of its Regionalization Proposal while the Application is pending. For example, the POR Decision requires PG&E to hire new Regional Vice Presidents and Regional Safety Directors by June 2021.[25] In addition, PG&E will likely incur real estate costs to prepare regional offices and service centers that would allow PG&E to provide the level of service appropriate for each region. PG&E will also incur information technology cost to establish the regional offices, schedule work and crews in the regions, and account for the movement of resources within the Company.

PG&E did not request costs to reorganize into new regions in the 2020 General Rate Case ("GRC"). As a result, establishing the RPMA is appropriate to track costs incurred to meet Commission requirements to hire new regional leaders and to take other steps to implement this Regionalization Proposal prior to these costs being included in PG&E's base rates through its GRC. A memorandum account would not prejudice any party's ability to contest the costs later as it would be no guarantee that PG&E would be able to recover the costs, should PG&E seek cost recovery. However, the memorandum account would preserve PG&E's ability to request future Commission consideration of the recoverability of such costs, without violating the doctrine of retroactive ratemaking. Recovery of the costs recorded in the RPMA would be sought in a GRC or another application proceeding. Illustrative tariff language for the RPMA is included in Appendix D to the Regionalization Proposal.

VIII. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Statutory and Other Authority

PG&E files this Application pursuant Decision 20-05-053, Section 701 of the California Public Utilities Code, Rule 2.1 of the Commission's Rules of Practice and Procedure, and prior Commission decisions.

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[25] D.20-05-053, p. 57.

B. Legal Name and Principal Place of Business (Rule 2.1(a)).

The legal name of the Applicant is Pacific Gas and Electric Company. PG&E's principal place of business is San Francisco, California. Its post office address is Post Office Box 7442, San Francisco, California 94120.

C. Correspondence and Communication Regarding this Application (Rule 2.1(b)).

All correspondence and communication regarding this Application should be addressed to Charles R. Middlekauff and Matthew Plummer at the addresses listed below:

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D. Categorization (Rule 2.1(c)).

PG&E proposes that this Application be categorized as a "ratesetting" proceeding pursuant to Commission Rule of Practice and Procedure 1.3(f).

E. Need for Hearing (Rule 2.1(c)).

PG&E believes that evidentiary hearings are not required to approve PG&E's Regionalization Proposal and proposed memorandum account. The Commission has authorized the establishment of memorandum accounts without requiring evidentiary hearings because the opening of the account itself does not prejudge the appropriateness of the costs for recovery.[26] PG&E would submit any request for cost recovery for Commission review and approval through subsequent application. PG&E proposes workshop to discuss its proposals with the Commission staff and participants in Section H below.

F. Issues to be Considered (Rule 2.1(c)).

The principal issues to be considered are whether:

1. PG&E should be authorized to implement its Regionalization Proposal, as modified in this proceeding;
2. PG&E's proposed five regional boundaries are reasonable;
3. PG&E's proposals for regional leadership and a regional organizational structure are consistent with the Commission's direction;
4. PG&E's proposed implementation timeline for regionalization is reasonable; and,
5. PG&E's proposed Regional Plan Memorandum Account should be approved effective June 30, 2020.

G. Relevant Safety Considerations (Rule 2.1 (c)).

In D.16-01-017, the Commission adopted an amendment to Rule 2.1(c) requiring utilities' applications to clearly state the relevant safety considerations. The Commission has previously explained that the "[s]afe and reliable provision of utilities at predictable rates promotes public safety."[27] PG&E's Regionalization Proposal includes the addition of regional safety leaders to identify safety issues in each region and tailor safety programs and training to the needs of local teams to improve employee, contractor and public safety. It also includes new regional organizations to improve public safety in the regional areas through an improved

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[26] See D.10-12-026 (AB 32 implementation costs); D.18-05-024 (San Diego Gas & Electric Company's Customer Service Information Memorandum Account); and, D.18-06-049 (PG&E's Wildfire Expense Memorandum Account).

[27] D.14-12-053, pp. 12-13.

knowledge of assets and local conditions and heightened responsibility for regional performance outcomes.

H. Proposed Schedule (Rule 2.1(c)).

PG&E proposes the following Schedule for this proceeding:

Activity	Proposed Date
Application Filed	June 30, 2020
Protests or Responses	30 days from Notice of Filing of Application
Reply to Protests or Responses	10 days from last day for filing Protests and Responses
Prehearing Conference	August 2020
Assigned Commissioner Scoping Memo and Ruling	August 31, 2020
Workshop(s)	September 2020
PG&E files Updated Regionalization Proposal based on Stakeholder Feedback	October 31, 2020
Workshop on Updated Regionalization Proposal	Early November
Opening Comments on Updated Regionalization Proposal	November 20, 2020
Reply Comments on Updated Regionalization Proposal	December 11, 2020
Proposed Decision	February 2021
Commission Decision	March 2021

I. Articles of Incorporation (Rule 2.2).

PG&E is, and since October 10, 1905, has been, an operating public utility corporation organized under California law. PG&E is engaged principally in the business of furnishing electric and gas services in California. A copy of PG&E's Amended and Restated Articles of Incorporation, effective June 22, 2020, is submitted with this Application as Attachment B.

J. Service of Application

PG&E is serving this Application electronically on all parties on the following service lists with an e-mail address: (1) the POR OII (I.19-09-016); (2) PG&E's 2020 General Rate Case (A.18-12-009); and (3) the Safety Culture OII (I.15-08-019).

IX. CONCLUSION

PG&E respectfully requests that the Commission issue a decision authorizing PG&E to implement its Regionalization Proposal, as it may be modified in this proceeding based on Commission and stakeholder input, and approving PG&E's proposed Regional Plan Memorandum Account effective as of June 30, 2020.

Respectfully Submitted,

CHARLES R. MIDDLEKAUFF
MARY A. GANDESBERY

By: *___/s/ Mary A. Gandesbery___*
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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: June 30, 2020

VERIFICATION

I, the undersigned, say:

I am an officer of PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, and am authorized, pursuant to Code of Civil Procedure Section 466, paragraph 3, to make this verification for and on behalf of said corporation, and I make this verification for that reason; I have read the foregoing pleading and I am informed and believe the matters therein are true and on that ground, I allege that the matters stated therein are true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed at San Francisco, California, on June 29, 2020.

ANDREW M. VESEY
Chief Executive Officer and President
Pacific Gas and Electric Company

ATTACHMENT A

REGIONALIZATION PROPOSAL

Regionalization Proposal

Pacific Gas and Electric Company

June 30, 2020

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

I. INTRODUCTION

Pacific Gas and Electric Company ("PG&E" or the "Company") must fundamentally change. Failures in both our gas and electric equipment have caused devastation in our communities. We accept responsibility for these failures. We are determined to make material changes to transform PG&E into the safe and reliable utility California needs and deserves. This requires us to reconsider how we approach our day-to-day business. This requires deliberate and sustained effort and must be carried out responsibly, methodically, and sustainably, with a focus on the causes of previous failures. No single program or initiative will transform PG&E. We must take many critical actions to further strengthen and improve safety across all our operations.

One of the steps PG&E is taking to improve its operations is regionalization. Regionalization includes organizing PG&E's service area into new regions with more effective boundaries and appointing local leadership with oversight and control over aspects of our gas and electric distribution operations that most impact our communities. In this way, we will heighten our focus on our core operations and front-line employees and improve customer service. PG&E's Regionalization Proposal is one part of a larger plan to become a safer and more reliable company with improved knowledge of our infrastructure and an increased ability to promptly and efficiently address safety risks posed by our equipment. These improvements must occur while we continue to accelerate actions that reduce wildfire risk from our assets and support California's ambitious energy goals that address the challenge of climate change.

Regionalization is just one of PG&E's commitments in the California Public Utilities Commission's ("Commission") Plan of Reorganization Order Instituting Investigation ("POR OII") [1] to increase safety and reliability. Additional commitments include: (1) supporting the Commission's enactment of measures to strengthen PG&E's governance and operations, including enhanced regulatory oversight and enforcement; (2) selecting a substantial number of new members of the Boards of Directors of PG&E Corporation and PG&E upon emergence from bankruptcy;[2] (3) appointing an independent safety monitor when the term of the court-appointed Federal Monitor expires; (4) expanding the roles of the Chief Risk Officer ("CRO") and Chief Safety Officer ("CSO"), with both reporting directly to the PG&E Corporation Chief Executive Officer ("PG&E Corp. CEO"); and, (5) forming an Independent Safety Oversight

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1 *POR OII*, Investigation (I.) 19-09-016 (Sept. 26, 2019).

2 On June 10, 2020, PG&E announced the selection of 11 new board members. Following its seating, the Board will elect members to reconstituted Safety and Nuclear Oversight ("SNO") Committees. PG&E's Regionalization Proposal will be reviewed by the new Board and SNO Committee, which may propose changes as a result of this review and consultation.

Committee ("ISOC") to provide independent review of operations, including compliance, safety leadership, and operational performance.

One of our most important principles in implementing our Regionalization Proposal is to not lose ground on our continued improvements to public and workforce safety. PG&E will be purposeful in implementation of its Regionalization Proposal and will move forward in phases by putting in place the right leaders, processes, governance, oversight, and metrics to be successful.

We are committed to working with our employees, communities, customers, civic leaders, regulators, policymakers and other key stakeholders on the details of this proposal to obtain their feedback and consider alternatives. This feedback will result in an improved Regionalization Proposal that, with other initiatives PG&E is undertaking, will help achieve PG&E's operational and customer service goals. Our Regionalization Proposal is the first step towards implementing a regional model, centered around delivering safe and reliable energy for our customers.

II. EXECUTIVE SUMMARY

A. Regional Boundaries

PG&E will establish five regions: along the North Coast, in the Sierra, in the Bay Area, along the Central Coast, and in the Central Valley. The regional boundaries will align with county boundaries to improve coordination with local governments and other agencies. These proposed boundaries will bring together adjacent counties with similar geographical, weather, and operational characteristics.

B. Region Leadership

The Regional Vice President[3] will report to the PG&E CEO and will be accountable for making measurable and sustainable improvements in the following areas:

- Improving the safety and reliability of our regional operations by working closely with regional employees and operations groups across the enterprise;
- Reducing risk by increasing knowledge of local conditions and monitoring

3 The Regional Vice President will be a PG&E officer; PG&E has not yet determined the appropriate title. For the purposes of this Regionalization Proposal, PG&E refers to these officers as Regional Vice Presidents. PG&E defines "executive officer" consistent with Rule 16a-1(f) and Rule 3b-7 under the Securities Exchange Act of 1934; the Company currently has five such executive officers. PG&E anticipates designating the leader of each region as a vice president-level position, which would not alone qualify them as "executive officers."

work to mitigate those risks throughout the assigned region;

- Establishing collaborative relationships with customers, business organizations, local regulatory bodies, and other community groups;
- Directing a diverse team of represented and non-represented professionals responsible for the maintenance, construction, planning and restoration activities for the gas and electric distribution systems; and,
- Meeting financial targets established through integrated resource planning and utilization at a regional level.

The Regional Safety Director will report to the CSO and will also support the Regional Vice President and success of the regions. The Regional Safety Director will be responsible for:

- Monitoring and improving safety performance across the assigned region, including collaboration with the other Regional Safety Directors;
- Leading implementation of best practices and providing independent oversight of safety practices at a regional level; and
- Leading groups of other safety professionals in their regions who will monitor performance, train others, and assist crews in the best safety practices.

C. Regional Responsibilities

Each region will have five functional groups led by a manager, senior manager, director or senior director. The groups, which are described more fully in Section V.C. below, are:

- Customer Field Operations will execute upon customer requested work and support PG&E's public safety and system reliability responsibilities. Teams focused on new business work and immediate response to electric outages and gas leaks will be in a region with a leader specializing in the delivery of that work. Each team will be equipped with the necessary end-to-end resources, including estimating resources and dedicated crew or contractor resources. Before regionalizing these teams, core customer construction processes for new business will be optimized for efficient service delivery (e.g., reducing hand-offs across teams for new business jobs thereby reducing cycle time to ensure our customers receive prompt service).

- Local Electric Maintenance and Construction ("M&C") Operations will deliver electric distribution M&C work in a manner that improves quality, safety, and efficiency while minimizing customer disruptions. We will accomplish this in part by having more integrated local teams with M&C crews, schedulers, and estimators, all of which will be supervised by regional leaders. This integration promotes increased familiarity and cooperation among the team members and enables greater end-to-end ownership and enhanced accountability as well as tighter integration of the teams. Regional Planning and Coordination will also play a critical role in supporting these teams' efforts to minimize customer disruption. Regional leaders will be responsible for the M&C teams and will schedule all resources required to deliver the work.

- Local Gas M&C Operations will deliver gas distribution M&C work to improve quality, safety, and efficiency while minimizing customer disruption. It will include local M&C crews integrated with schedulers and estimating resources and commodity-specific programs such as PG&E's leak survey, the Locate and Mark program, and corrosion teams. Integrating these teams with local leaders with overall responsibility will support greater quality, safety, and reduce customer disruption associated with our field work.

- Regional Planning and Coordination will offer services needed for regional field operations in a consistent, integrated way across both commodities. These services include work plan integration, local reliability engineering, clerical support, and permitting. The group will provide the regional team with visibility on any work being done locally (whether by regional or central resources) and will coordinate efforts where possible to minimize customer disruption. This will be a critical link with our remaining Electrical and Gas Operations teams that are centrally managed.

- Community and Customer Engagement will continue to build strong, collaborative relationships with the local communities and customers. This team will encompass functional teams focused on local customer engagement including communications, local public affairs, community engagement, local customer service, planned outage notification, and public safety. Many of these teams are organized locally today but will increase in effectiveness when integrated with local operations teams. The Community and

Customer Engagement teams will report to and advise the Regional Vice Presidents.

D. Phased Implementation

We will proceed with a phased implementation and a principle of 'first do no harm' to business continuity and operational outcomes, moving teams only when we have confidence that organizational changes can be executed with minimal disruption and reinforce our focus on process and operational discipline. Teams will move into the regions once the necessary capabilities in our processes, systems, governance, and people are in place for them to be successful. We expect key customer and community focused teams to be in the regions ahead of the 2021 wildfire season. PG&E's proposed implementation plan will span three phases beyond the initial work done to date.

Phase 1: Detailed design and transition planning (2020)

- Fully design the regional operating model (organization, accountabilities, required processes and systems, etc.) then build an integrated implementation plan that minimizes disruption and ensures business continuity.
- Improve the core processes, build the necessary capabilities in our systems and governance, and take steps to engage regional leadership.

Phase 2: Regional boundaries, Leadership, Safety, Community/Customer Engagement, and Customer Operations (2021)

- Regional boundaries finalized and established.
- Regional leadership in place and reporting aligned to new structures.
- Local Community and Customer Engagement teams and the Customer Field Operations teams move under our new regional organization.
- Continue to build discipline and efficiency in core operational processes, and address capabilities in systems, tools and people.

Phase 3: Maintenance & Construction along with their supporting functions (2022+)

- Maintenance and Construction teams in Gas and Electric move to the regional organization.
- Integrate upstream M&C functions under construction leaders.
- Regionalize additional support and coordination functions for Gas and Electric M&C, once the necessary processes, systems, governance capabilities, and people are in place.

E. Centralized Functions

At the end of this phased regional implementation, many operational functions will remain centralized, where system-wide decision making, standards, and efficiencies of scale provide significant benefits. Our major performance improvement initiatives will also address these central functions.

Separate, central organizations for Electric Operations and Gas Operations will set consistent standards and policies for the operational work in the regions and oversee that work from an inspection and compliance perspective. They will also retain management of work that requires consistency and common standards throughout the service area. This includes asset management, all transmission and substation work, general construction, major construction programs, compliance across all field operations including those managed by the region, continuous improvement teams, and enterprise-wide programs, such as vegetation management. Although the regional organizations will have combined reporting of Gas and Electric crews that are executing critical M&C work, centralized Gas and Electric organizations will continue to establish standards, safety and maintenance programs, annual workplans and provide oversight to the regional teams to ensure the safety and reliability of their respective infrastructure.

Risk Management will remain centralized to apply consistent risk assessment and mitigation standards across our entire organization to ensure the Company is focusing on the most important risks and investing in the most impactful mitigations. PG&E is continuing to identify, assess, mitigate and monitor top risks across the enterprise using methodologies required by the Commission.[4] PG&E's Risk Assessment and Mitigation Phase ("RAMP") Report, which will be submitted to the Commission June 30, 2020 and quadrennially thereafter, will inform and help prioritize the utility's spending on the Company's top enterprise risks. Risk Management will work with the Regional Safety Directors to understand the risks, drivers and consequences of each region. The role of the CRO is being enhanced and will report to the PG&E Corp. CEO and Safety and Nuclear Oversight Committee and Audit Committee of the Board of Directors.

Enterprise Health and Safety ("EHS") will remain centralized. EHS has overall responsibility for implementing and improving the comprehensiveness, consistency, and integration of PG&E's health and safety programs throughout the enterprise.[5] The CSO

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4 Decision ("D.") 18-12-014, Phase Two Decision Adopting Safety Model Assessment Proceeding (S-MAP) Settlement Agreement with Modifications, Attachment A, Element No. 8, Risk Identification and Definition, p. A-7. PG&E recently renamed the Enterprise Risk Register as the Corporate Risk Register.

5 In December 2019, PG&E established ISOC, which is comprised of members with relevant and diverse safety and operational expertise, who are independent and external to PG&E. The ISOC provides independent oversight and review of the Utility's operations, including safety and regulatory compliance, safety leadership, and operational performance.

role has been expanded to include public safety. EHS establishes the overall framework for PG&E's health and safety programs and initiatives; monitors their effectiveness; performs hazard and risk assessments; works to continuously improve programs to reduce risk; and monitors compliance with PG&E's safety policies and applicable federal, state, and local regulatory requirements. The CSO reports to the PG&E Corp. CEO. The Regional Safety Directors will report to the CSO and will apply best practices throughout the utility with an improved understanding of the needs and work of the local teams.

Most Customer Care and Regulatory and External Affairs functions will remain centralized, except the local teams described in Section V.C.2. Energy Policy and Procurement, Power Generation, Human Resources Shared Services, Finance, General Counsel and other support organizations will remain entirely centralized. These organizations will work closely with regional leadership to support the Regions and promote consistency across the Company.

F. Operational Metrics

The Commission stated in the POR OII that it would designate a proceeding to consider PG&E's safety and operational metrics.[6] PG&E expects that enterprise-wide safety and operational metrics will be reviewed in that proceeding, and that a subset of the approved metrics, plus additional metrics regarding customer and employee satisfaction, will be used to determine whether and to what extent PG&E's regionalization effort is working to improve safety, operations, and customer experience. Data regarding regional performance against those metrics will help the regions improve their performance and identify what is working in a region in order to share best practices amongst the regions.

III. PG&E'S APPROACH TO REGIONALIZATION

A. Objectives of PG&E's Regionalization Proposal

Regionalization is one part of PG&E's effort to become an operationally excellent company, which will make us safer, more reliable, and more responsive to our customers. PG&E's current operational outcomes, in absolute terms and relative to industry peers, are not acceptable. For measures where benchmark data is available, our performance consistently ranks in the 3rd or 4th quartile among our peers. PG&E's operational performance must improve. To achieve significant and sustained improvement, in addition to regionalization, we are simultaneously pursuing enterprise-wide initiatives to improve safety, data governance, asset management, work management, and the customer experience, and are establishing clear accountability structures throughout the

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6 D.20-05-053, p. 42.

enterprise.

The goal of regionalization is, in concert with other actions we are taking, to address many of our operational imperatives today:

- Improving safety by having a Regional Safety Director in each region to work with local operation leaders and apply their knowledge of industry and companywide best practices, while also being very knowledgeable of the nuances of the local teams and communities they are working in. The Regional Safety Director will also provide safety oversight in the region to support the Regional Vice Presidents as they take on accountability for the safety and quality of the customer and distribution work executed by their local teams.

- Improving our core maintenance and construction and new business workflows by using our initial phase of implementation to identify critical gaps in these processes before the teams engaged in them move to the regions. We will invest in streamlining our work management processes including work initiation, estimating, scheduling and execution enhancing systems and data governance, and clarifying accountabilities such that we are reducing cycle times and improving quality outcomes. The new regional structures will be designed to reduce hand-offs across teams by integrating relevant teams into single regional functions, increasing the speed and quality of workflow.

- Focusing our teams and leaders as well as increasing their specialization in specific types of work by segmenting customer-initiated work from planned maintenance and construction.

- Increasing local ownership and accountability among our leaders by giving local operators more end-to-end ownership of their work and increased authority to respond to local customer needs.

- Creating an even greater focus on and responsiveness to community and customer needs by aligning our regional boundaries to the county boundaries that are used by the local governments and state agencies with which we partner and by bringing public affairs and operations teams together in the same regional structure, all reporting to the same Regional Vice President.

B. Developing the Regionalization Proposal

PG&E reviewed and considered how other utilities across the United States are organized to develop its Regionalization Proposal. PG&E also received and considered stakeholder and employee feedback regarding regionalization. This section provides an overview of the industry information and stakeholder/employee feedback.

1. Industry Information

PG&E considered the practices of other utilities as an input to inform the design of the Regionalization Proposal. Specifically, PG&E evaluated the regional organizational structures and operating models of other utilities to understand their practices and determine if those practices could be replicated at PG&E to improve operations and customer service. Structures at peer utilities provided a range of options and practices, which were considered and adapted for PG&E's unique circumstances.

To create the best relevant, comparable peer set for PG&E, we considered other dual commodity utilities with overlapping gas and electric service territories (*e.g.*, San Diego Gas & Electric Company, Philadelphia Electric Company, Baltimore Gas and Electric, Public Service Electric and Gas, Con Edison) as well as larger utilities with both gas and electric operations (*e.g.*, Consumers Energy, DTE Energy, Dominion Energy, Duke Energy, Southern Company, National Grid, Entergy) and large, single commodity California utilities (*e.g.*, Southern California Edison Company and Southern California Gas Company).

These utilities employ a variety of regional structures and operating models. Each utility has meaningful differences from PG&E's service area and needs, such that a simple replication of an organization or operating model from a subset of these peers would not be the right path for our customers. Notably, other single-state, dual commodity utilities in the United States with overlapping gas and electric service territories tend to be smaller than PG&E (number of customers, size of service area). Meanwhile, utilities of comparable scale tend to be multi-jurisdictional, with non-contiguous operations spanning many states, often with gas and electric service territories that do not overlap at all, or in a limited way. All the large utilities observed organize regionally to deliver distribution work, and our proposal is in line with that philosophy. We have elevated the Regional Vice Presidents and integrated specific aspects of electric and gas service under them, which is less common.

We evaluated the regional structures observed at our industry peers and then, based on PG&E's unique service area and operational priorities, adapted and adopted the organizational elements that will be relevant and beneficial for PG&E. In many instances, PG&E's proposed design is highly aligned with industry practices, but in some instances, PG&E is taking a slightly different approach than its industry peers because we believe it will result in better, safer operations. We believe that in these situations our customers will be better served by the proposed approach which tailors the proposed regional organization to PG&E's operational priorities, scale and service area. These themes and how PG&E is considering, applying or approaching them to meet its objectives are described in Table 1 below.

Table 1: Themes From Industry Observations

Theme	Industry Observation	Relevance for PG&E's Regionalization Proposal
Regionalization as a contributing but non-determinative factor of performance	A range of operating models, from highly centralized to more regionalized were observed. A clear connection between the level of regionalization and operational performance was not evident, likely because regional structure is one of many factors that contribute to operational performance. (Factors like service territory, network design and infrastructure, quality of systems and processes, etc. also contribute).	Regionalization can have some benefits, but it is not the sole solution for PG&E's operational issues. Thus, PG&E's approach to change is not solely based on regionalization; rather, regionalization is just one part of the effort to improve PG&E's operations.
Evolution of regional and centralized operations	Many peer utilities were either in the process of making or had recently completed significant organizational changes. Decades ago, utilities typically had regional operations that oversaw a wide range of functions. Over time, they shifted to more centralized organizations with separate, specialized functional teams. In recent years, a number of utilities have re-established some elements of the integrated regional model to facilitate improved workflow and responsiveness, by moving parts of operations (scheduling, dependency management, estimating, etc.) under the control of local leaders, while continuing to centralize functions with large benefits of scale and consistency (mapping, clerical, etc.).	PG&E is considering the types of changes other industry peers have made recently. These include moving enabling functions like scheduling and dependency management from a central to a more regional approach to improve our responsiveness to local needs and improve the speed and quality of our workflows while maintaining strong central functions where scale and standardization are critical.
Structure for dual commodity utilities	At dual commodity utilities, the gas and electric business units were not typically integrated at the regional level, with each commodity reporting up to a central SVP of Gas or Electric Operations. The first point of integration was at the COO or CEO level.	PG&E proposes a somewhat different approach for this theme. We are proposing to have gas and electric M&C teams report to the Regional Vice President. This will bring these functions together at a level closer to frontline operations than at peer utilities. PG&E believes this structure will enable the company to better coordinate work in the region across gas and

Theme	Industry Observation	Relevance for PG&E's Regionalization Proposal
		electric teams, better communicate our workplans to local communities, reduce the number of disruptions that construction work has on our customers, and control costs. We also believe this will be easier for customers, who will deal with one PG&E, not PG&E electric versus PG&E gas.
Routine Maintenance and Construction	Many utilities are combining the M&C teams with certain upstream, enabling functions such as estimating, scheduling and dependency management. These more integrated regional teams can reduce hand offs between central functions, reduce delays, jointly prioritize work for execution, and increase accountability for work completion.	PG&E proposes to apply a similar approach to peer utilities in the Local Electric M&C and Local Gas M&C groups. In the regional model, the scope of these teams would expand to include enabling functions such as local estimating, scheduling and dependency management to create greater control of the end-to-end workflow for local leaders, fewer hand offs, and a more responsive, accountable local team.
Large Construction Projects	A number of utilities have separated the groups responsible for larger project construction, creating a centralized organization that specializes in this type of work. The routine inspection, maintenance, and smaller construction work is completed by regional teams. This creates specialization by work type and focus to develop efficient processes and operations, tailored to different types of work.	PG&E will adopt a similar structure to peer utilities by retaining the General Construction ("GC") organization as a central construction resource. This will enable the GC group to stay focused and mobilized to manage large construction projects and programs and complete this work more efficiently. The regional teams will have the focus and specialization to more efficiently complete routine inspections, maintenance and smaller construction work.
Customer-Driven Work	Some utilities have created dedicated operational teams that focus on customer-driven work, such as new service connections, meter operations, and response to routine emergencies. Because they are dedicated to customer-facing work, there are fewer competing priorities that can lead to	PG&E will adopt a similar structure by creating a Customer Field Operations group within the regional operating structure. This team will focus on the work that is initiated by the customer to improve

Theme	Industry Observation	Relevance for PG&E's Regionalization Proposal
	delays or rescheduling when other work (compliance work, large project work, etc.) takes priority. The selection and training of employees in customer-facing operational roles places additional emphasis on delighting customers.	the responsiveness, consistency and quality of customer-driven work.
Regional Leaders and Community Relations	Regional leaders are active, visible members of the communities they serve and engage directly with customers and communities to resolve issues and communicate plans. At peer utilities these regional leaders rarely have local community affairs and customer service teams reporting to them directly. Local public affairs, communications and customer service teams that work locally still report into central functions.	Similar to peer utilities, PG&E proposes to appoint Regional Vice Presidents who are active and visible members of their communities. PG&E believes that there are benefits of the Regional Vice Presidents having a direct reporting relationship with local customer and community affairs teams. This will better integrate the work of our community affairs employees and our operational teams and will help the Company better understand and address community needs. This reporting relationship is not common in the industry. It is a choice by PG&E that demonstrates the high priority the Company is placing on the regional teams being locally focused, tightly coordinated organizations to understand and respond to customer needs.
Centralized Functions	All peer utilities maintain large, central organizations for functions that benefit from scale, perform system-wide prioritization, planning, and to create and oversee company-wide standards and policies. Functions that report outside of regional teams include Transmission Operations, Network Operations, Asset Management, Vegetation Management, Engineering Design and Standards, Training, Fleet, Facilities, Procurement, and Materials Management.	Like our peers, PG&E proposes to retain these groups as central functions. This will allow the Company to realize benefits of scale, standardization, and company-wide decision-making and optimization by maintaining central management of specific functions. Furthermore, PG&E will advance a process to establish clear central governance for the new regional operations so that functions deployed at the region-level maintain consistent processes, benefit from best practices and innovation, and follow enterprise-

Theme	Industry Observation	Relevance for PG&E's Regionalization Proposal
		wide standards and policies. PG&E will also establish a clear process to develop and approve customized, region-specific procedures on an as needed basis to meet any unique circumstances of a region.

2. Stakeholder and Employee Outreach and Feedback

In addition to reviewing industry information, PG&E also considered: (1) party feedback in PG&E's Safety Culture Investigation (Investigation (I.) 15-08-019) and the POR OII (I.19-09-016)[7]; (2) preliminary feedback from certain stakeholders; and (3) employee feedback derived from an all-employee survey and more than 74 leadership and employee consultations. These comments were thoughtful and helpful in developing PG&E's Regionalization Proposal. Below, PG&E summarizes this feedback and how it was addressed.

Table 2: Stakeholder Feedback in Regulatory Venues

Regulatory Venue	Summarized Stakeholder Feedback	How Addressed in this Regionalization Proposal
Safety Culture Investigation	PG&E is too large and centralized and managing PG&E's operations centrally resulted in a lack of focus on regional issues	Section V.C describes the regional leadership and teams that will be directly connected to and aware of the needs of local communities so that PG&E is able to more effectively address regional issues
Plan of Reorganization Order Instituting Investigation	CLECA provided feedback that regional coordination and focus on two-way communication with local leaders will help PG&E ensure nothing is "falling through the cracks." [8]	Section V.C describes how PG&E will create regional teams and how those teams will coordinate and communicate internally and externally

7 *POR OII*, I.19-09-016 (Sept. 26, 2019).

8 *Reply Testimony of Katherine Yap Submitted on Behalf of the California Large Energy Consumers Association* ("CLECA"), I.19-09-016 (Feb. 21, 2020) ("CLECA's Reply"), pp. 11-16.

Regulatory Venue	Summarized Stakeholder Feedback	How Addressed in this Regionalization Proposal
	TURN and CCSF suggested categories of information that should be addressed in a Regionalization Proposal (*e.g.*, number of boundaries, timing of implementation, cost impacts)[9]	Section IV discusses the regional boundaries and the number of regions, Section VI provides PG&E's phased implementation approach, and Section IX.F addresses cost impacts
	The Public Advocates Office ("Cal Advocates") proposed that PG&E consider the California Department of Forestry and Fire Protection's ("CAL FIRE") boundaries in proposing new regions[10]	Section IV.B.6 shows how PG&E considered the CAL FIRE boundaries in the development of the regions

The Commission also provided direction for the contents of PG&E's Regionalization Proposal in its decision in the POR OII ("POR Decision") based on stakeholder feedback in that proceeding.[11] In Section IX, PG&E outlines how it has incorporated the Commission's guidance.

PG&E also reached out to certain stakeholders to receive feedback at the early stages of PG&E's regional design. Specifically, we reached out to the Governor's office, the International Brotherhood of Electrical Workers ("IBEW"), the Engineers and Scientists of California ("ESC"), PG&E's Sustainability Advisory Counsel, and PG&E's California Community Advisory Group.

Finally, from April 28 to May 13, 2020, PG&E issued a survey regarding regionalization to all full-time employees for which it received a 40% response rate (9,071 total respondents), which in the context of other Company-wide surveys over a similar period of time is a typical response rate. Our employees indicated a desire to receive clear and thorough communications on the objectives of and progress towards regionalizing. Employees also expressed concern about PG&E's ability to implement good change management practices. To address this feedback, PG&E is developing a comprehensive change management and communications strategy to inform employees of the plan for regionalization and how it will affect them and their work, which is

9 I.19-09-016, *Reply Testimony of Thomas Long Submitted on Behalf of The Utility Reform Network ("TURN")*, (Feb. 21, 2020) ("TURN's Reply"), p. 25, and *Reply Testimony of Margaret Meal on Behalf of the City and County of San Francisco ("CCSF")*, (Feb. 21, 2020) ("CCSF's Reply"), pp. 28-29.

10 *See* D.20-05-053, p. 54 (describing Cal Advocates' proposal).

11 The POR Decision requirements are in D.20-05-053, pp. 55-57.

described in Section VI.C.4. The survey results also highlighted the need to engage employees during the regional model design phase to benefit from their views on improving service. PG&E will continue to facilitate employee consultations and issue another employee survey later this year as we enter the next phase of regionalization. PG&E remains committed to continuing communications with employees on regionalization and other ongoing efforts to improve PG&E.

IV. PROPOSED REGIONS

A. Current Division and Regions

As CLECA noted in its POR OII testimony,[12] over the last four decades, PG&E has undertaken several efforts to regionalize or centralize work. In 1986, PG&E consolidated 13 regions into 6 regions and sought to move decision-making authority as close to the customer as possible.[13] This was followed in the mid-1990s, during industry restructuring, by an effort to centralize and standardize work to make it as efficient and cost-effective as possible. Since the mid-1990s, PG&E has continued to centrally manage many functions while developing a network of regions and divisions based on work within certain geographic areas. While the move toward centralization had benefits, it also moved PG&E employees and the decision-making process further away from our customers.

PG&E currently uses divisions and regions to organize and execute gas and electric work throughout our service area. The existing boundaries essentially consist of three levels. The base is PG&E's entire service area.[14] The next level divides PG&E's service area into regions/areas and the third level further divides regions/areas into divisions/headquarters. PG&E's current structure is summarized in the Table 3 below and provided graphically in Appendix A.

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12 *CLECA's Reply*, pp. 11-12.

13 Pacific Gas and Electric Company 1986 Annual Report.

14 Note that while substantially the same, PG&E's service area differs between Electric Transmission, Electric Distribution, Gas Transmission and Gas Distribution due to parts of PG&E's service area not needing PG&E's service for one or more of the commodities.

Table 3: Overview of Current Structure

<table>
<tr><th></th><th colspan="3">Electric Operations</th><th colspan="3">Gas Operations</th></tr>
<tr><td></td><td>Transmission</td><td>Distribution</td><td>Substation</td><td>Backbone Transmission</td><td>Local Gas Transmission</td><td>Distribution</td></tr>
<tr><td>Divisions, Headquarters, or Districts</td><td>12 Headquarters</td><td>19 M&C Divisions</td><td>21 M&C Headquarters</td><td>12 Districts</td><td>19 Divisions</td><td>19 Divisions</td></tr>
<tr><td>Regions or Areas</td><td>4 Regions</td><td>3 Regions</td><td>5 M&C Areas</td><td colspan="2">6 Areas</td><td>n/a</td></tr>
<tr><td>Service Area</td><td colspan="6">1 Service Area that is largely, but not wholly, aligned between Electric and Gas</td></tr>
</table>

PG&E's current regions and divisions are not internally aligned. In addition, they do not follow county lines or other boundaries used by external stakeholders, nor do they have one regional leader in charge of overseeing all the work groups (*i.e.*, both gas and electric) operating within a region. PG&E's Regionalization Proposal improves upon this organization.

B. Design Criteria and Approach to Modified Regions

PG&E considered various criteria in developing its proposed regions. Table 4 below provides a summary of the information and factors considered in developing the proposed regions, followed by a more detailed description of each of these factors.

Table 4: Factors Considered for Regional Boundaries

Factor	Description of Factor Considered
1. County Boundaries	Current county boundary lines
2. Number of Regions	Appropriate number of regions
3. Customer Commonality	Census Data and Customer Bill Data for characteristics of customers in each region
4. Operational, Risk and Safety Considerations	Operational considerations such as the amount of wildfire risk mitigation work, potential Public Safety Power Shutoff (PSPS) events, volume of work requested by customers, and other critical safety-related factors such as high consequence natural gas pipelines
5. Region Size	The size of proposed regions that could be effectively and efficiently managed

Factor	Description of Factor Considered
6. CAL FIRE Boundaries	The current CAL FIRE Units in PG&E's service area
7. Additional Consideration	Impact on other communities, groups and entities, resources such as service centers, and feedback from employees
8. Employee Feedback	Feedback from PG&E employees regarding important characteristics for regional design

1. County Boundaries

PG&E proposes that regional boundaries not divide counties and instead follow county boundary lines. There are several benefits to this approach. Foundationally, this change represents our desire to work more closely with our customers. Having a single regional leadership team that can coordinate with a city or county during an emergency is critical. For this reason, the California Office of Emergency Services ("Cal OES") is organized based on county lines.[15] Similarly, CAL FIRE regions and units are generally divided along county lines.[16] Regional leadership will be better able to respond to emergency situations and conditions in close coordination with community leaders when the counties are situated in one region.

In addition, some counties and cities have specific work requirements that impact how PG&E executes the scheduling and completion of gas and electric projects. For example, recent COVID-19 construction requirements are generally being developed on a county-wide basis. It is important that the regional leadership teams be familiar with and aware of the work requirements for each county in the region to increase efficiencies in the execution of local field-based work and that counties and local governments have a single point of contact and coordination with PG&E.

2. Number of Regions

PG&E considered the appropriate number of regions for our service area. Having too few regions could result in regions that are potentially too large to manage (including in relation to workforce safety and customer responsiveness) and thus would achieve few of the benefits associated with regionalization. On the other hand, too many regions

15 *See e.g. See e.g.*, Cal OES, Regions, Region News / Updates, accessed June 25, 2020, at <https://www.caloes.ca.gov/cal-oes-divisions/fire-rescue/regions> (Cal OES regions).

16 CAL FIRE units largely follow county lines geographically, except for San Joaquin and Stanislaus counties, which fall between two units (and are split between north and south regions). *See e.g.* ., CAL FIRE, Map of Administrative Units for the Department of Forestry and Fire Protection in California, modified December 17, 2019, accessed June 25, 2020, at <*https://www.fire.ca.gov/media/2135/admin_units_13.pdf*>.

create challenges for consistency, would increase the incremental costs of regionalization such as the costs of regional offices, and could create challenges to attract the necessary number of qualified individuals for regional leadership roles. We believe that a five-region approach achieves the right balance of these various factors.

3. Customer Commonality

PG&E considered "customer commonality" by analyzing 23 census variables and customer billing data.[17] Although each proposed region will have a variety of residential and commercial customers, we considered how customer groups with similar interests and concerns could be part of a single region so that the regional leadership could be aware of and focus on key issues for these customers to obtain a deeper understanding of all customer requirements and demographics served within their region. Understanding customer commonality was intended to identify counties that had similar customer attributes and needs. For example, if customers in a region have significantly higher energy usage on average, the regional leadership could focus on reliability and programs such as energy efficiency that support affordability. Or a region may have more customers who have English as a second language, live in more rural or urban areas, or require additional services.

4. Operational, Risk and Safety Considerations

PG&E reviewed operational considerations such as the amount of wildfire risk mitigation work, potential PSPS events, volume of work requested by customers, and other critical safety-related factors such as high consequence natural gas pipelines. Our Regionalization Proposal addresses these operational issues and risks through regional leadership and teams that can focus on these issues at a regional level, while maintaining centralized support for safety and risk mitigation.

One option we considered from a risk and safety perspective was whether we could evenly distribute, as much as possible, wildfire mitigation work and potential PSPS events. However, designing regions to equally distribute this work is infeasible given the concentration of some risks in certain geographic areas. Each region will have its own unique profile. Understanding this profile will allow regional leadership to focus on their specific operational challenges. For example, a region with a substantially higher percentage of overhead lines in High Fire Threat District ("HFTD") areas will focus even greater attention on the coordination of vegetation management and system hardening efforts. As explained more below in Section V.D.2, risk will continue to be managed centrally (e.g., risk governance framework) and each region will be fully responsible for mitigating risks in that region, such as wildfire, regardless of the percentage of, for

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[17] Census data included for example population, languages within regions, population age and diversity, household income, persons per household, and poverty rate.

example, overhead lines in Tier 2 and Tier 3 HFTD areas.

Another option we evaluated from an operational perspective was keeping the nine-member counties of the Association of Bay Area Governments together as the Bay Area Region. This would have coordinated Bay Area operations into a single region. However, under this design, the Bay Area region would have a customer base that was significantly larger than other regions, which would have been challenging for a regional leader to manage work scope and establish relationship with their community effectively.

5. Region Size

The size of the regions was primarily evaluated by the ability to travel through the regions by vehicle. Creating regions that could be comfortably and safely traversed by vehicle in a single workday allows for rapid response and more frequent interaction between the communities in a region and the regional leadership and employees. As a practical matter, if a region takes an entire day or more to drive across, it is less likely that regional leadership will be as accessible to communities as we would like them to be.

Thus, PG&E proposes regions where the maximum "drive time" [18] assuming no traffic congestion in a region is approximately 5 to 5.5 hours. Drive times within a region will also enable efficient sharing and movement of frontline resources (*e.g.*, square mile coverage and drive times, freeway coverage, office and service center distribution/locations, employee distribution). More importantly, we reviewed the terrain and topography of the regions to consider the safety of traveling within the region. For example, the drive between the two northern most regions involved travelling on roads with a lot of twists and turns; we adjusted these two regions to reduce any potential safety incidents caused by the topography.

6. CAL FIRE Organization

As Cal Advocates suggested,[19] PG&E considered CAL FIRE's organization when developing its regional boundaries. CAL FIRE units are operational units designed to address fire suppression over a geographic area. To the extent possible, PG&E aligned boundaries for the regions to place each CAL FIRE units within a single region.[20] Under this structure, most CAL FIRE unit leaders will be able to coordinate with a single regional leader at PG&E.

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18 Freeway coverage and terrain are determinants of drive time.

19 D.20-05-053, p. 54.

20 There are a few exceptions where the other criteria described above required that a CAL FIRE Unit be split into two regions. For example, there are two counties which contain 2 CAL FIRE Units.

7. Additional Considerations

After PG&E developed proposed regions based on the criteria and approach described above, we applied certain additional considerations to validate that the regions were appropriately designed. For example, we looked at workforce safety performance, number of service centers available within each region, number of tribal nations, community choice aggregators ("CCAs") service boundaries, other political boundaries such as Congressional districts and the Association of Bay Area Governments, and employee work location and distribution among the regions. While these considerations did not result in changes to the proposed regional boundaries, they provided an important additional validation step to make sure that the regions were appropriately designed.

8. Employee Feedback

Finally, we consulted with our employees, including our frontline managers who had practical experience in moving from one part of the Company's service area to another. For example, we discussed travel time and emergency response times in one of the larger regions and how we might adjust the regions to allow people to most optimally move within the region. We modified the borders of the two northernmost territories (North Coast and Sierra) when we heard from frontline employees that driving north to south (and vice versa) is much easier than driving east to west (and vice versa) based on road conditions and drive times. Employees also encouraged us to examine other data points, such as historical PSPS activations, tribal communities, and the location of existing service centers to confirm the territories are optimally divided. These observations were taken into consideration in finalizing the proposed regional boundaries.

C. Description of Regions

Based on the criteria and approach described above, PG&E proposes to create five regions, as described in Table 5 below.

Table 5: Counties Included in Five Proposed Regions

Regions	Counties Included
Region 1 (North Coast)	Colusa, Glenn, Humboldt, Lake, Mendocino, Napa, Sacramento, Solano, Sonoma, Trinity, and Yolo
Region 2 (Sierra)	Alpine, Amador, Butte, El Dorado, Lassen, Nevada, Placer, Plumas, Shasta, Sierra, Siskiyou, Sutter, Tehama, and Yuba
Region 3 (Bay Area)	Alameda, Contra Costa, Marin, San Francisco, and San

Regions	Counties Included
	Mateo
Region 4 (Central Coast)	Monterey, San Benito, San Luis Obispo, Santa Barbara, Santa Clara, and Santa Cruz
Region 5 (Central Valley)	Calaveras, Fresno, Kern, Kings, Madera, Mariposa, Merced, San Bernardino, San Joaquin, Stanislaus, Tulare, and Tuolumne

A map of the proposed regions is included below as Figure 1.

Figure 1: PG&E's Proposed Regions

Appendix B includes key attributes of the proposed regions.

D. Divisions

As a part of the regionalization implementation, we will also consider whether the proposed regions should be divided into smaller geographic areas such as divisions. Once the regional boundaries are finalized and regional leadership is in place, the regional leaders may want to work internally to further subdivide the regions in a way that will promote efficient work, resource allocation, and coordination within the division. In creating these divisions, PG&E will consider issues like operational efficiency and efficient customer and community communications.

V. ASSIGNMENT OF RESPONSIBILITIES TO NEW REGIONS

After developing the regional boundaries, PG&E considered which responsibilities should be regionally managed or continue to be centrally managed. In this section, we first describe how PG&E is currently organized and then discuss the process for determining the regional responsibilities. This section also outlines which activities will be managed regionally and which will be managed centrally.

A. Current Organizational Structure

PG&E is organized into lines of business and non-operational or service organizations. The groups that will primarily be impacted by regionalization, Electric Operations and Gas Operations, are both managed centrally and along geographic lines, including the divisions and regions described above. Support organizations, such as Enterprise Health and Safety, Risk Management, and Customer Care, and Human Resources are primarily centrally managed but may also have employees whose work is primarily focused on specific divisions or regions. Below, PG&E provides a high-level summary of how groups that will primarily be impacted by regionalization currently perform their work today.[21]

1. Electric Operations

Electric Operations is led by a Senior Vice President who reports to the PG&E Chief Executive Officer and President ("PG&E CEO"). Under the Senior Vice President, Electric Operations has five (5) vice presidents, fourteen (14) senior directors, and fifty-four (54) directors. Electric Field Operations is divided into three regions: North, Bay/Central, and South; however, in some work groups regions are bifurcated North/South. Field Operations directors oversee sub-regions consisting of a group of three to five of the Company's 19 divisions. Work groups in Electric Operations are organized into the following departments: Asset Risk Management & Community

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21 For brevity, groups such as Power Generation, and service organizations, such as Corporate Finance, that will not be directly impacted by regionalization are not included.

Wildfire Safety Program,[22] Electric Compliance,[23] Distribution Operations,[24] Major Projects & Programs,[25] Transmission Operations,[26] and Emergency Preparedness & Response.[27]

2. Gas Operations

Gas Operations is led by a Senior Vice President who reports to the PG&E CEO. Under the Senior Vice President, Gas Operations has two vice presidents and approximately six (6) senior directors and twenty-four (24) directors. Gas Operations divides its work, depending on the work group, by North and South Regions which are further divided into nineteen (19) gas divisions. The specific work groups in Gas Operations are organized as follows: (1) Asset Management and System Operations,[28] (2) Transmission and Distribution ("T&D") Operations;[29] (3) T&D Construction;[30] and (4)

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22 ARM & CWSP include Asset Strategy and Planning, Standards, and Business Operations, predominantly centralized functions.

23 Electric Compliance includes CAP, Compliance, and Quality Management.

24 Electric Distribution Operations includes Service Planning, Work Planning, Clerical, and Training; Grid Operations, and Field Operations. Most of Distribution Operations is regionalized into three regions: North, Bay / Central, and South, either at the senior director (field ops) or director level (other parts of the organization.)

25 Major Projects & Programs includes Central Design / Estimating, Project Management Delivery, General Construction and Electric Construction Contractors, System Inspections, and Vegetation Management. Most of the organizations are centralized with a regional presence.

26 Electric Transmission Operations includes Transmission & Substation, Transmission Grid Operations, and Project Delivery. Most of the organizations are centralized with a regional presence.

27 Emergency Preparedness & Response includes emergency functions for major emergencies, wildfires, PSPS, and Fire Sciences & Meteorology, centralized functions that typically deploy as necessary across the system.

28 Asset Management and System Operations includes Asset Knowledge Management, Integrity Management, Risk, Compliance and Qualifications, Regulatory Strategy, Gas System Operations, and Wholesale Marketing and Business Development, mostly central functions.

29 T&D Operations is primarily organized in nineteen (19) divisions, although some functions are centralized. T&D Operations functions include M&C, Locate and Mark, Leak Survey, Corrosion Maintenance, dispatch and clerical. Field Services, M&C, Locate and Mark, Leak Survey and Corrosion are organized by North/South Region and further organized by Division. Dispatch and clerical are centralized.

30 T&D Construction is divided into four (4) regions – Northern, Central Coast, Bay Area, and Central Valley. T&D Construction functions include Gas Pipeline Operations & Maintenance, Gas Distribution Portfolio Management and Engineering, Gas Transmission Portfolio Management, Transmission Construction, Distribution Construction, Construction Management, and Central Operations Support.

Safety, Quality, and Contracts Management, (5) Lean Capability Center, and (6) Financial Governance. Gas Operations manages gas assets and reduces risk across nine "Asset Families,"[31] each of which has an Asset Family Owner ("AFO") responsible for maintaining the asset and mitigating risks throughout the particular asset family.

3. Risk Management

PG&E's Risk Management[32] organization is centrally managed by the CRO who will report directly to the PG&E Corp. CEO and to the SNO Committee and Audit Committee of the Board of Directors effective June 30, 2020. PG&E has implemented consistent risk management practices to enable each line of business to identify, assess, mitigate and monitor the risks specific to their operations and to understand how cross-cutting factors[33] impact their operations. The centralized Enterprise and Operational Risk Management ("EORM") Program effectuates consistency, oversight and governance, and provides an enterprise view of the most impactful risks facing the Company, which are referred to as "Enterprise Risks."[34] EORM reports out on risk reduction performance. This group is also responsible for PG&E's quadrennial RAMP Report in which PG&E analyzes its top enterprise risks in advance of PG&E's General Rate Cases ("GRC") to focus spending on mitigations that address the highest enterprise risks.

PG&E's risk governance structure consists of the: (1) Board of Directors that provides oversight of the actions management are taking to reduce exposure to enterprise risks; (2) Officer-level Enterprise Risk Committees; (3) Department Risk and Compliance Committees (such as Electric Operations or Gas Operations); (4) Risk Managers, who will have a dotted line reporting relationship to the CRO; and (5) the EORM Department. The role of the CRO is being enhanced to more actively engage in evaluating the process, data, tools, decision basis and assumptions departments such as Electric or Gas operations use to make decisions around which risk reducing controls and mitigations are being performed. The goal is to provide "line of sight" from the key risks

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31 The nine asset families are: (1) Transmission Pipe; (2) Distribution Mains and Services; (3) Gas Storage; (4) Compression & Processing; (5) Measurement & Control; (6) Customer Connected Equipment; (7) LNG/CNG Portable Supply; (8) CNG Stations; and (9) Data.

32 Risk Management brings together all the centrally managed risk organizations: Enterprise and Operational Risk Management, Insurance, Internal Audit, SOX, Market & Credit Risk Management, Third Party Risk Management

33 A Cross-Cutting Factor is either a driver that can impact multiple risk events such as a cyberattack or is a central control that is a mitigation to multiple risk events such as the Emergency Preparedness and Response program.

34 An Enterprise Risk is a risk event that was assessed as having the potential to be catastrophic to PG&E, these are largely driven by consequences that impact public, employee and contractor safety, disrupt continuity of service or have a significant financial impact

to the execution decisions being made at the regional and divisional level to reduce these risks, with feedback loops that show their effectiveness.

4. Enterprise Health and Safety

PG&E's EHS organization is centrally managed. EHS is led by a Vice President and CSO who reports to the PG&E Corp. CEO. EHS has overall responsibility for implementing and improving the comprehensiveness, consistency, and integration of PG&E's health and safety. The role of the CSO has been expanded to include public safety. EHS establishes the overall framework for PG&E's health and safety programs and initiatives; monitors their effectiveness; manages safety risk, including performing hazard identification and risk assessments; works to continuously improve programs to reduce risk; and monitors compliance with PG&E's safety policies and applicable federal, state, and local regulatory requirements. EHS also seeks to engage employees and contractors in improving safety performance through awareness, understanding, and transparency of PG&E's commitment to continuing to improve its safety culture and performance. EHS is composed of seven key areas: (1) Transportation Safety; (2) Business Operations; (3) Occupational Health; (4) Critical Safety Risk; (5) Field Safety; (6) Enterprise Corrective Action Program; and (7) Safety Assurance. These areas are centrally managed with employees located throughout the service area.

5. Customer Care

The Customer Care organization is led by a Senior Vice President who reports to the PG&E CEO. PG&E's Customer Care organization addresses the needs of more than 16 million people throughout an approximately 70,000 square mile service area in central and northern California with 5.6 million active customer accounts. While most services provided to customers are centrally managed, PG&E's Customer Care organization includes geographically based Division Leadership Teams ("DLTs"). The DLTs are comprised of Local Customer Relationship Managers, Operations Specialists and Outreach Specialists to provide better customer service in local areas. PG&E implemented the DLT model throughout its service area in 2013-2014. This model includes a monthly facilitation of cross-functional meetings, comprised of local leaders and functional leads across all lines of business, with the objective to improve PG&E's local presence and coordination between gas and electric at the local level for major work projects and maintenance work. PG&E established the DLTs to enhance the local customer experience, create transparency and provide customer support for emergency preparedness and events relative to PG&E divisions. Each of PG&E's existing divisions has its own DLT Lead, although in many cases the individual DLT Leads (Local Customer Experience Senior Managers) cover two divisions.

6. Regulatory and External Affairs

Regulatory and External Affairs is a centrally managed organization that is led by a Vice President who reports to an Executive Vice President. Regulatory and External Affairs supports regulatory proceedings addressing rates, rates design, and policy, and engages external stakeholders on issues that impact them and their constituents.

Local Public Affairs ("LPA") is one of the organizations that reports to the Vice President of Regulatory and External Affairs. Local Public Affairs is currently split into three Regions: Bay Area, Northern California and Central Valley/Central Coast. Local Public Affairs has a single director and each Region has a Regional Manager. Each Regional Manager has anywhere from 7-10 direct reports who are LPA representatives. Depending on the geography and population of each area, an LPA representative's area of responsibility may be a single jurisdiction (city/county) or as much as 23 jurisdictions. The LPA team also has one program manager who reports to the director.

B. Principles for Assignment of Regional Responsibilities

PG&E took the following steps to determine whether a responsibility should continue to be managed centrally or in a region:

1. Considered the industry information and feedback described above in Section III.B;

2. Developed criteria to evaluate the benefits of regional management of each function, scored each function against those criteria, and drafted a proposal based on these data;

3. Designed an organization structure encompassing those regionally managed functions for effective operations; and,

4. Tested this initial structure with operational experts within the Company, across levels and organizations and made refinements based on their input.

The specific criteria used to assess whether a function would report to a region included:

1. How frequently the function's work required local in person interaction;

2. How frequently the function's decision-making speed and quality requires on-the-ground-insights;

3. How often localization is allowed or needed in the function's day-to-day work;

4. How much cost or expertise benefit there would be from centralizing the function; and,

5. How impactful regional management would be in driving successful outcomes of the function's responsibilities especially by fostering a focus on local customer needs.

Across each criterion, there was a 4-point rating scale, with higher ratings associated with a higher likelihood that a function required in-person work in the region, required on the ground information for quick decision making, needed local customization, and benefitted greatly from regional management. As such, a function could receive up to 20 points total with higher scores indicating functions that would benefit from regional management, and lower scores indicating functions that would benefit from central management. Appendix E to this Regionalization Proposal provides the matrix that was used for scoring the functions.

The results of this rating process were then shared internally for feedback and further refinement. PG&E consulted more than 74 individuals in both operational and support roles, at all levels of the Company from frontline managers to executives. Their input underscored the importance of placing functions closest to delivering on operational outcomes that shape the customer experience in the region; giving the region responsibility for local customer and community outreach; reducing the number of hand-offs from centrally to regionally managed teams; keeping system-wide resources like Control Centers, certain Customer Care functions, and support resources like Fleet and Supply Chain centrally managed.

This design work focused on what high level functional responsibilities should be regionally versus centrally managed. As discussed in greater detail in Section VI below, prior to implementing the regional model PG&E will carefully define the detailed accountability structure (including but not limited to where governance, oversight, and execution lie for a piece of work) for each regional function and how they will interact with centrally managed functions. For example, we expect the governance frameworks, processes and standards continue to be centrally managed for work that is executed regionally to ensure regions do not develop their own, potentially inconsistent practices. Within those frameworks, processes, and standards, regions will have opportunities to make certain customizations to meet local needs and there will be a clear process for a central governing body to arbitrate any region-specific customizations.

C. Regionally Managed Functions

With these principles in mind, PG&E developed a proposal for the assignment of responsibilities as either regional or central functions. Below, we provide a description of the proposed regional leadership, reassignment of responsibilities to the regions, and a description of activities and responsibilities that will continue to be centrally managed. As discussed in Section VI, we will take a phased approach to arriving at this indicative structure, such that what is described below is the potential end state subject to consultation and further analysis. Executing all implementation phases will occur only when the necessary processes, tools, systems, controls and people are in place for successful regional operations of these functions.

Resources and employees that report regionally will continue to be available when assistance is needed in other regions. For example, if one region has a significant event or outage and needs additional resources or support, other regions will be available to help. While the regions are intended to provide more local and community attention for our customers, customers will also benefit from all PG&E resources when needed.

1. Regional Leadership

Each region will be led by a Regional Vice President. Five organizations encompassing various functions each led by a Senior Director, Director, Senior Manager, or Manager will report to the Regional Vice President, including: Customer Field Operations, Local Electric Maintenance and Construction, Local Gas Maintenance and Construction, Regional Planning and Coordination, and Community and Customer Engagement.

a. Regional Vice Presidents

The Regional Vice President will be accountable for delivering a superior customer experience, as well as improving the safety, availability, and reliability of our regional operations; partnering with leaders across PG&E to improve performance; and engaging with PG&E operations groups, customers, business organizations, local regulatory bodies and other community groups. The Regional Vice President will report directly to the PG&E CEO. The Regional Vice President will direct a large and diverse team of represented and non-represented professionals responsible for the maintenance, construction, planning and restoration activities for the gas and electric distribution systems and will also be responsible for meeting financial targets through integrated resource planning and utilization at a regional level. The Regional Vice President and regional team will also be responsible for risk reduction for controls and mitigations implemented within their region for each of the top enterprise risks.

As the Commission recognized, finding the appropriate individuals to lead each region will take time and must be done with care.[35] The desired skills, knowledge and qualifications to be successful in this role are safety leadership, strategic planning and leadership, compliance and risk management, resource management, role in the local community, customer and public affairs experience, and experience working throughout an organization.

Recruiting for the regional leaders will be done in accordance with PG&E's Human Resources ("HR") process, which includes hiring a qualified and diverse search

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35 D.20-05-053, p. 57.

firm and then casting a wide net to generate a diverse set of qualified candidates by looking both internally and externally. Candidates will then meet with a diverse interview panel of PG&E leaders who will share insights on the role and learn more about the candidates' backgrounds and how they would approach the regional role. In parallel, HR will obtain references. These searches typically last no less than three months from posting the job to the successful candidate starting their new role.

In addition to identifying individuals with the appropriate skills and experience, PG&E also recognizes the importance of diversity among its leadership. PG&E will engage a diverse search firm that will focus on identifying diverse candidates through the recruiting and hiring process for the Regional Vice Presidents.

b. Regional Safety Director

The Regional Safety Director will report to the CSO and will support the Regional Vice President and the entire regional team. The Regional Safety Director and his/her team of safety leads will be responsible for monitoring and improving safety performance across the assigned region. They will supervise implementation and apply best safety practices at a regional level and will address significant local and regional safety challenges and will work closely with other regions to establish and disseminate safe practices for both field and regional office workers, with the goal to create an incident-free operation. The Regional Safety Director will collaborate with the Regional Vice President to identify trends and insights in safety leadership, safety performance, and safety culture. This can best be achieved by being a visible presence in the field and working regularly with employees and contractors across various functions performed within the region.

The Regional Safety Director will work with the regional leadership on hazard identification and assessment, critical control field verifications, positive safety interactions and implementation of safety programs and safety training. Some safety work will continue to be governed and managed centrally. EHS, through the development of an Enterprise Safety Management System ("ESMS"), provides a governance role over the elements of safety; however, the execution of safety work and programs which address public safety hazards is and will continue to be the responsibility of the operational business groups.

The qualifications to be successful in this role include experience in enterprise safety and safety management systems, including monitoring and improving safety performance. The candidates should have experience with implementation, oversight and operation of electric or gas distribution safety function.

PG&E will conduct an internal and external search for qualified candidates. These searches typically last no less than three months from posting the job to the successful candidate starting their new role. Once candidates are identified, they will meet with a set interview panel of leaders who can share insights on the role and learn more about the candidate's background and how the candidate would approach regional safety challenges and opportunities. As with Regional Vice Presidents, PG&E will focus on identifying diverse candidates through the recruiting and hiring process.

2. Regional Teams and Responsibilities

The regional teams will be comprised of a comprehensive group of customer delivery and support functions, with local decision-making authority. These regional teams will be able to anticipate and respond to the needs of local communities, communicate PG&E's plans and programs to those communities, and timely and effectively respond to both the routine service requests and the major events that impact our customers. These functions are instrumental in shaping the customer experience and executing customer-facing work thereby bringing significant leadership, operational resources, execution focus, and budget into each region. Below is a summary of the five regional functional groups that will report to the Regional Vice President.

a. Customer Field Operations

The Regional Customer Field Operations group will deliver customer work safely, on time, and to the customer's expectations as well as support PG&E in meeting its public safety and system reliability responsibilities. This will encompass service planning for new business, planned outage notification, meter operations, gas field services (who handle leak response, appliance checks, etc.) and electric troublemen for immediate response. This organization will have accountability for and dedicated resources to prioritize and deliver this customer work end to end (including external engineering and design). PG&E will continue to track its regulatory and legal compliance obligations at an enterprise level.

The creation of this team, which is dedicated to specific customer work types, will reduce the schedule volatility and cancelations of customer-driven work that can occur under our current structure. This will lead to fewer cancelations and rescheduling of customer requested new business work and reduce our cycle times to complete these jobs.

b. Local Electric Maintenance and Construction

The objective of the Local Electric M&C group will be to deliver all electric distribution work safely (from both public and worker standpoints), on time, at the highest quality, and with minimal customer disruption. Regional leaders will have responsibility for the locally dedicated M&C teams as well as new responsibility over the scheduling and engineering resources required to deliver the work. This will create a single local team that minimizes hand-offs and potential delays in the work execution process. This will increase the speed and efficiency with which these crews are able to complete critical maintenance and construction work, improving the overall health of our electric assets.

c. Local Gas Maintenance and Construction

The objective of the Local Gas M&C group will be to deliver all gas distribution work safely, on time, at the highest quality, with minimal customer disruption. It will be structured similarly to regional Electrical Operations such that it includes local M&C crews and provides local leaders with end-to-end responsibility of the required scheduling, permitting, clerical, and engineering resources to accomplish their work. It will also include PG&E's leak survey, the Locate and Mark program, and corrosion teams. This will increase the speed and efficiency with which these crews are able to complete critical maintenance and construction work, improving the overall health of our gas assets.

d. Regional Planning and Coordination

The Regional Planning and Coordination organization will offer services that are necessary to successfully complete field operations in the region in a consistent, integrated way across both commodities. These services will include work plan integration, reliability engineering, clerical support, and permitting. Pooling these services at a regional level will help integrate them with local teams. A work plan integration team will provide regional leadership with visibility across all work being done in the region regardless whether it is regionally or centrally managed and help to coordinate the work of Electric and Gas teams in the same location to minimize customer disruption. Clerical will support our field crews with appropriate documentation and records for their work. The regional permitting team will handle ministerial local permitting with local governments, while a central team will continue to handle all other permitting. This will streamline our interactions with local governments issuing the ministerial permits we need to do our work, reducing time to acquire necessary permits and improving compliance with all applicable permitting requirements. Improved permitting will enable more efficient and timely execution of our critical maintenance and construction work.

e. Community and Customer Engagement

The regional Community and Customer Engagement team will continue to build strong, collaborative relationships with the local communities and customers and facilitate two-way communication so PG&E can better anticipate their needs and address their issues. The team will also communicate programs, events, and work plans that will affect the community. This organization will encompass functional teams focused on local customer engagement including communications, community engagement, local customer service, local government and K-12 school account management, and public safety.

Bringing these teams into the regions will further increase our focus on local customer and community needs, tailor activities based on the unique needs of the region, and foster integration with the operations teams executing the work. These teams will coordinate with our operations teams to be troubleshooters and with local governments and agencies on any issues they are facing. The regional Community and Customer Engagement Team will coordinate with the centrally managed Regulatory and External Affairs and Customer Care teams to benefit from centralized practices, training, messaging, and expertise to maintain consistency and support improvements throughout the service area. The integration of these functions into the regional teams will strengthen their link with operations, increasing the region's understanding of and ability to respond to customer and community needs.

D. Centrally Managed Functions

As PG&E implements regionalization, centrally managed functions will also evolve to effectively support these regional teams. Regionalization is one among many steps needed to improve PG&E's operations. The centrally managed organizations will support PG&E's regional operations and other enterprise-wide initiatives that will help strengthen PG&E's operations. PG&E expects that the functions described below will further evolve as this process continues.

1. Electric Operations and Gas Operations

Electric Operations and Gas Operations will continue to have distinct, central management groups. Each of these organizations will focus on asset management, all transmission and substation work, general construction, major construction programs, compliance across all field operations for their respective commodities, including that managed by the region, continuous improvement teams, and enterprise wide programs like vegetation management. In most cases, the work remaining with these central teams do not involve frequent, direct customer touchpoints and in all cases benefit from a consistent approach across our entire service area, with regional outlets for support, with very limited localization unlike the distribution and customer requested work allocated to the regions. Electric and Gas Distribution will prioritize formalizing the ways in which these teams coordinate and partner with those in the regions as much of their work is done in the field.

Leaders within regional teams could be designated companywide process owners (like what is currently done in Gas Operations) who will partner with these teams and their regional peers to effect process improvements and consistency. We will also look for opportunities to take a greater community and customer focus. As an example, asset management will coordinate with locally based reliability engineers to ensure that local system needs are understood and accounted for in planning.

2. Risk Management and Audit

PG&E will continue to operate the EORM on an enterprise-wide basis. The EORM program identifies those risks with the potential to be catastrophic, primarily focused on severe safety consequences. The organization's risk owner, with assistance and oversight from the CRO, will assess alternatives to mitigate risk consistent with the Commission's directions, including its recent decision in the Safety Model Assessment Proceeding ("S-MAP"),[36] and implement the actions that have the greatest and most cost-effective potential to reduce risk. Progress is monitored and reported through the governance forums previously mentioned. PG&E's EORM program provides consistency in its evaluation of risks across lines of business.

The CRO will work with subject matter experts and Regional Safety Directors to identify the risk drivers and consequences specific to that region that need to be considered in the evaluation of the risk and selection of mitigations. Risk Management will expand to include assessing the effectiveness of key controls in each region to ensure that risk reduction is being prioritized. In addition, the CRO will identify the greatest risk exposures to the public, the CSO and CRO will work together in assessing the effectiveness of current controls and mitigations and developing actions to either enhance existing controls or implement new mitigations. Risk Management will expand to include appropriate controls and monitoring in each region.

The Regional Safety Directors will be responsible for improving PG&E's risk management by enhancing the gathering and analysis of data specific to regional safety incidents including root cause analysis, using this to improve existing controls or implement new mitigations. PG&E has also begun collecting data on assets that fail in service, broadening its focus to include not only "what happened" but "why it happened." This insight will be used to understand the extent of condition and proactively take actions to mitigate future occurrences.

As we conduct detailed design and implementation planning, we will develop clear accountabilities for regional leaders and functions, which will also clarify the relationship between regional and central functions especially when it comes to audit and oversight. There will be several models for that relationship. Some regionally managed functions like M&C will be audited by centrally managed resources to ensure consistency, safety, and work quality. Some regional functions, like service planning, will benefit from support from a central team where there will be best practices and systems designed and deployed centrally to speed up the work done locally. Other work, such as reliability engineering, will benefit from a greater level of support where the development of standards, tools, and processes will be done centrally, along with

36 D.18-12-014.

significant work execution that benefit from central scale.

3. Enterprise Health and Safety

Some of the functions included within EHS will remain centralized. Specifically, the development of standards that are consistently applied and enforced across our service area is critical. When PG&E sought employee feedback regarding regionalization, one of the concerns identified was that, in the past, regions developed their own standards and policies. With safety (as in all other functions), it is essential that each region follow consistent standards and requirements. Developing these standards and requirements often takes familiarity with state and national trends and developments in safety. A central organization will provide a platform for considering state and national safety standards, benchmarking against industry peers, and considering information from all the regions in the development of consistent safety procedures and requirements. At the regional level, safety procedures can be customized to address the specific needs and requirements at the local level, having regard to the centralized governance framework.

4. Shared Services

Shared Services will continue to provide centrally managed services. Land and Environmental Management, Aviation Services, Corporate Real Estate, and Transportation Services do not have direct interactions with our customers and benefit from centralized scale and coordination. Several aspects of Corporate Real Estate and Transportation will need to evolve to support our regions. These organizations will create real estate plans that reflect the needs of each region, maintain facilities in a manner that supports each region's activities, and coordinate with transportation services to ensure there are minimal interruptions to scheduled work due to vehicle repairs.

5. Customer Care

Customer Care will, as described above, move some of its field-based teams, currently assigned to PG&E divisions, into the regions to continue to provide dedicated resources focusing on local customers. Billing operations, company-wide communications and marketing teams, call center, major accounts, digital and customer strategy teams will continue to be managed centrally. These customer touchpoints are most effective when done consistently across our service area and benefit from scale investments in technology and expertise. While regionalization will place greater accountability and emphasis on local outcomes, engagement and service, most customer interactions with PG&E are done via the web, interactive voice response, and live agent calls. The customer experience strategy work will remain centralized with the overall objective to improve the customer experience through consistence customer outreach. The regional offices will emphasize robust outreach in each region based on the needs of the local customers.

6. Regulatory and External Affairs

Other than community relations and Local Public Affairs, Regulatory and External Affairs will remain centralized, including our State and Federal Affairs functions. This team will support those regional teams with best practices and guidance to maintain consistency where appropriate. They will engage with regional teams to ensure local needs are incorporated into the interactions they undertake on behalf of our entire service area with State and Federal regulators.

7. Other Service Organizations

Information Technology, Finance, HR, Compliance and Ethics, Supply Chain, General Counsel, Power Generation, and Energy Policy and Procurement will remain centrally managed as they do not typically have direct interactions with our customers and benefit from centralized scale and coordination. These centralized organizations will ensure that their processes reflect our new regional structure. Furthermore, HR will ensure that regional leadership teams and broader teams have the support that they need across staffing, compensation, recruiting, and training.

VI. IMPLEMENTATION OF REGIONALIZATION

A. Overview of Implementation

PG&E is mindful of the Commission's direction that we move forward expeditiously with regionalization.[37] PG&E has been working to develop its Regionalization Proposal and to take initial steps toward implementation. The timing and approach to implementation will need to allow us to: (1) collect and make adjustments based on feedback from the Commission and stakeholders; (2) plan and prepare for these changes in a way that ensures PG&E maintains full business continuity and minimizes customer disruption; (3) remain focused on wildfire prevention and response; and (4) continuously learn, iterate, and adjust its plan based on experience and stakeholder feedback. To do so, we will implement regionalization in phases with detailed planning continuing immediately upon the submission of this filing and then standing up regions with leadership in place in 2021 following the 2020 wildfire season. Teams will then move into the regions once the necessary capabilities in our processes, systems, governance, and people are in place for them to be successful. We expect key customer and community focused teams to be in the regions ahead of the 2021 wildfire season.

PG&E's implementation will span three phases beyond the initial work done to date. This section provides an overview of PG&E's phases of work during regionalization and the myriad of activities to be completed in each phase. The specific

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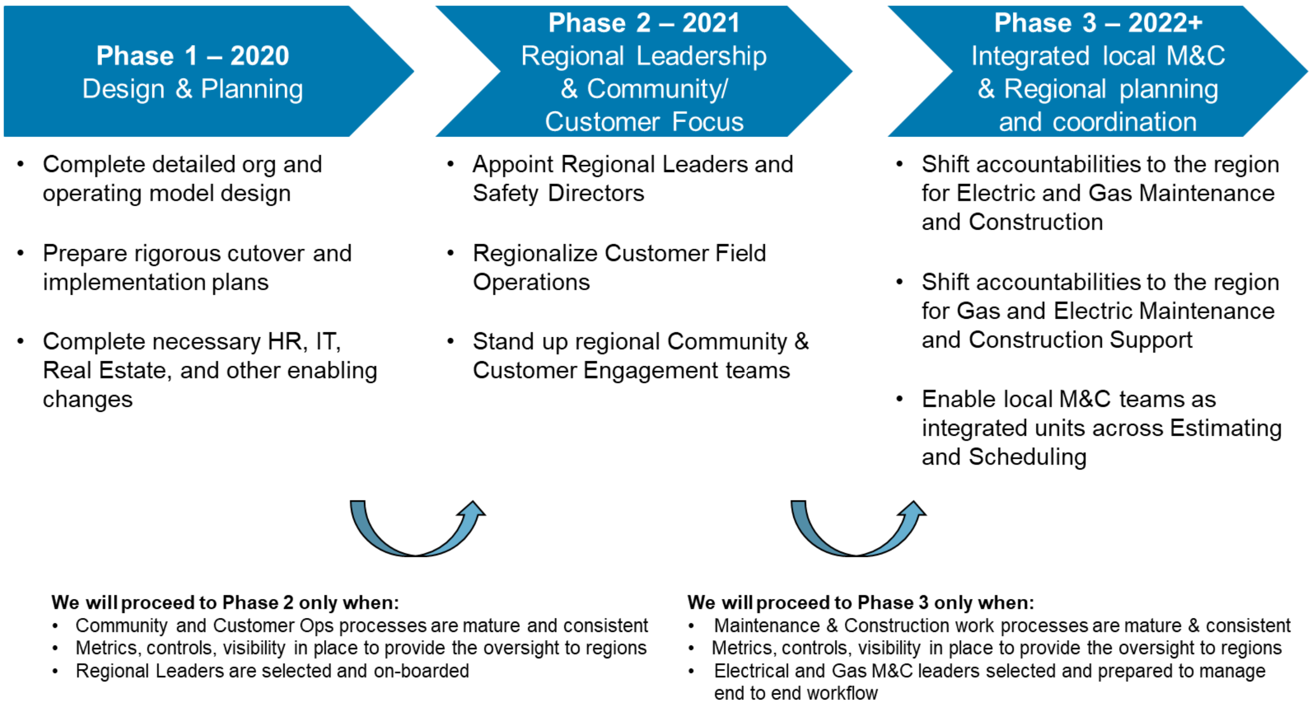
37 D.20-05-053, p. 57.

phases are described at a high level in Figure 2 and with more detail in the narrative that follows.

Figure 2: Proposed Phases for Implementation of PG&E's Regionalization Proposal



In Phase 1 (July to December 2020), we will define the details of the regional organizational model and conduct a thorough and rigorous planning process to enable success. Regionalization will require a significant departure from where PG&E is today in terms of structure, processes, and systems. This critical thinking, planning and preparation is important for success in this reinvention and will require a great deal of effort from all parties and employees involved. We will kick off initiatives to overhaul processes that will ultimately be critical for the success of the regions including those around work management, permitting, asset management, among others – work that must be done before affected functions enter the region. To the extent possible, we will begin making required process improvements and necessary systems changes during this phase ahead of establishing the regions.

In Phase 2 (2021), we will establish the regions, install Regional Vice Presidents and Regional Safety Directors, stand up a Community & Customer Engagement team in each region, and regionalize our Customer Field Operations teams. We are prioritizing these teams given the role they play in safety, emergency response, and customer outcomes. Establishing regions based on county lines and having CAL FIRE units contained within a single regional division will enable PG&E to more effectively communicate and coordinate PSPS and wildfire issues with our customers, communities and government counterparts in 2021. The remaining M&C operational functions will retain their current reporting structure prior to and during the 2021 wildfire season in order to maintain employees' focus on preventing and mitigating wildfires and execution of PG&E's PSPS program.

Finally, in Phase 3 (2022+), we will stand up the Local Electrical and Gas M&C organizations with the corresponding aspects of Regional Planning and Coordination (*e.g.* clerical), thereby bringing the remaining distribution operations work into regions.

PG&E will work to align the implementation of Phases 2 and 3 among all the regions and recognizes that union negotiations, hiring, and moving resources offer challenges may not allow the implementation to occur at the same pace in all regions. To help ensure the success of the regionalization effort, PG&E has established a change management and communication program to build understanding for employees of the upcoming changes, engage them in the design and implementation, and support them as they transition to new roles and ways of working.

The change management program will also assess potential implementation risks throughout the regionalization process and develop mitigation actions as required to ensure the successful execution of the transition. PG&E's change management and communication program will help support each of the implementation phases, building commitment over time by clearly communicating to stakeholders the rationale for the changes, keeping them informed, and incorporating their feedback. The objectives and key activities of the change management and communications program during each phase of regionalization are captured in the phase-specific sections that follow.

B. Work Done to Date

The following key activities occurred from January to June 2020 and focused on defining the most critical elements of the region design. PG&E developed proposed regional boundaries, a high-level regional organization structure, and desired qualifications for regional leadership—further detail on this work can be found in Sections IV and V above. PG&E also created a high-level plan for implementation, as reflected in this section. PG&E anticipates the work done to date will be refined through the regulatory process, further internal and external consultations, and as the Company further develops and moves through its implementation plan.

From a change management and communications perspective, the objective during this time was to align the executive team on the plan and get input from employees through direct consultations with some employees and a survey sent to all employees. An integrated roadmap for change management was designed, and a case for change was developed to articulate a compelling rationale for the regionalization. Several communications touchpoints, both company-wide and targeted toward specific internal stakeholder groups, were developed to keep employees throughout the organization up to date on the anticipated changes and transition timeline and ensure that leaders were equipped to deliver key messages and answer questions confidently. The change management and communications program also identified impacted populations and began to tailor communications and support to them based on the amount and type of change they will be experiencing.

C. Phase 1 - Detailed Design and Implementation Planning

Key activities in this phase will largely occur from July 2020 through December 2020. In the first few months, PG&E will create a more detailed organizational design and identify its many underlying implications for the organization, including in-depth accountabilities and governance for the regions, staffing changes, changes and redesign of our existing core business processes, and infrastructure requirements. An important component of these activities is iterative designing and testing of key elements in the new structure with relevant internal leaders and subject matter experts in order to ensure a robust design.

Once PG&E has finalized these design changes, the Company will transition to cutover and detailed implementation planning towards the end of 2020 in order to enable a seamless transition to PG&E's new regional model. This will include activities such as managing staffing and employee relocation as well as IT systems migrations. We will also pursue initiatives to overhaul processes that will ultimately be critical for the success of the regions including those around work management, asset management, among others that must be done before affected functions enter the region. Some work from this phase may extend beyond December 2020 until all operational changes required are complete and the regional model has been fully implemented. Specific design activities during this phase by workstream are provided below.

1. Regional Organization Design

From July to mid-fall, PG&E will focus on a few efforts in parallel. First, PG&E will create the end-to-end structure for the regions, remaining central functions and executive leadership team. This will involve defining all required roles, identifying impacted processes, determining staffing levels, and clarifying new reporting relationships for the employees who will be impacted by regionalization. PG&E will assess these for the employees and roles that will be moving in the region. As PG&E gains clarity on specific roles that will change, we will identify and resolve any impact on required staffing and people or role changes.

The Company and its bargaining unions will partner to conduct a bidding selection and relocation process for impacted represented employees. The key objective of selection and bidding is to minimize disruptions to existing staffing while also maintaining a fair process for individual employees. With the organization designed and staffing implications understood, we will build a detailed transition plan to move from our current structure to the new regional one. This will detail the process to cascade implementation in Phases 2 and 3. This cutover plan will be coordinated across the plans from other efforts to ensure the right systems and processes are in place, especially with IT and Real Estate.

2. Process and Accountability

PG&E will define the detailed operating model for the new regions and the remaining central functions. This includes a transparent process to establish how accountabilities will be allocated as well as designing the governance and oversight that will exist at the center to support the regions. The second effort is to devise and apply detailed redesign and accountabilities for all new process flows required by the new regional model, such as service planning for new business, and work and resource scheduling and planning. The Company will assess how the process will work when moving it to the regions and what improvements to either the processes themselves or accountabilities within the processes are needed. PG&E will establish for each process the individuals, teams or organizations responsible for: (1) establishing the governance; (2) providing oversight; (3) executing the work; and (4) providing support for the work (*e.g.*, ensuring that new business orders are routing to the right place in the new system).

In order to undertake this detailed process design work, PG&E plans to launch process teams comprised of cross-functional subject matter experts with relevant expertise; these teams will design new processes by testing and iterating with a diverse group of stakeholders. These teams will also help to map the current governance within the process or design a new governance structure to ensure that: (1) accountabilities are clear; and (2) individual regions are not setting their own standards that create inconstancies across the regions. PG&E does not want to move "broken" processes or processes with ambiguous governance structures into the regions.

Processes will be redesigned and operational with clear accountabilities before a function will be moved into the region. This includes any related controls or system changes required. Fixing and improving the Company's processes will be more efficient and effective when done centrally rather than when they are regional. Developing and determining whether these processes are ready for regionalization will likely extend beyond the fall of 2020 – we will accelerate where possible and invest the time needed where appropriate, treating each process individually.

From mid-Fall to December 2020, PG&E will focus on building a detailed cutover plan and preparing for Phase 2. For this workstream, cutover planning will document when new accountabilities and process approaches will take effect, which will be coordinated with relevant IT system changes, relevant organization changes, and the like. PG&E will identify and make any changes this year that do not disrupt current operations and wildfire efforts. PG&E will also obtain more specific details on any anticipated costs associated with this effort, although we will endeavor to offset any incremental costs (*i.e.*, not have incurred but for regionalization) by identifying cost savings initiatives.

3. Regionalization Enablement

Regionalization will require a reconfiguration of PG&E's existing systems. From July to mid-Fall 2020, PG&E will define implications of regional changes for these systems and enablers of work: IT, Real Estate, and Finance. PG&E will then propose solutions and test their efficacy for future use. For IT, this means identifying the highest priority customer experience, operational IT and financial IT systems that need to change, how regionalization will impact these systems, and how the IT team can test and prepare these changes. The Real Estate team will analyze how anticipated staffing changes will impact all of PG&E's current facilities' footprint and assess all planned investments to align current facilities and planned investments to the regional model.

From mid-Fall to December 2020, PG&E will focus on building cutover plans and preparing for implementation. These plans will identify how PG&E will transition these systems and enablers to the regional model to ensure coordination and minimize disruption. PG&E will identify and make any changes in advance of 2021 that do not disrupt current operations and wildfire efforts. PG&E may find that the regions need to follow different implementation timelines, based on unique regional, system, process, or other challenges that may impact business continuity within a geographic area.

4. Change Management and Communication

During Phase 1, the main focus of the change management and communications program will be to generate acceptance and ownership of the regionalization changes by enlisting a broader group of frontline leaders to assist with the detailed redesign of processes and organizations. The change management and communications program will focus communications strategically on critical roles and populations that will be most impacted by planned changes. Initiative-level communications will provide clarity and support for changes that will affect specific areas of business (*e.g.*, IT, Asset Management). Most importantly, a group of leaders will be established from the executive level to frontline leadership that will support the ongoing communication, engagement, and provide support for employees throughout the transition. These sponsors will be critical in cascading ongoing communications about progress towards regionalization and in supporting their employees as they prepare for change. They will also be a critical source of feedback, providing regular input via "pulse checks" with the central regionalization team on the sentiment and preparedness of the broader organization for regionalization.

D. Phase 2 – Implementation Focused on Safety, Community, and Customer Teams

In Phase 2, we will formally establish the regions and begin to move functions into the regional structure. We anticipate executing this Phase in 2021. The timing will be dependent upon the successful completion of the activities outlined in Phase 1 and the hiring of the required Regional leadership team members.

We will begin by recruiting, hiring, and onboarding the Regional Vice Presidents and Regional Safety Directors. Then we will stand up the Community & Customer Engagement team in each region and bring in any additional safety resources. These teams will support the Regional Vice Presidents and Regional Safety Directors as they take over responsibility for building local relationships. Once these teams are established, and there are the right people, processes, and systems preparations in place, we will regionalize our Customer Field Operations teams. The individual teams making up Customer Field Operations will be brought in incrementally, not all at once to minimize disruption, maximize our ability to learn as we go, and ensure that we are building toward better safety and operational outcomes. We are prioritizing these teams given the role they play in safety and customer outcomes as well as emergency response. Our focus will be on putting these teams in place ahead of the 2021 fire season.

During Phase 2, the main objective of the change management and communications program is to fuel momentum to get critical mass on adoption of new behaviors, and to support leaders and employees in their new roles so that they can deliver improved customer and operational outcomes. PG&E's change management and communications program will help leaders identify the most critical behaviors that their teams will need to adopt to improve performance in our new regional model, and then develop the supporting and reinforcing mechanisms that will enable these new behaviors. This coaching and support of frontline teams will be among the most critical elements of our change program, and the one with the most direct impact on improving safety and customer outcomes. Periodic communications will continue to provide visibility into our progress implementing changes to our organization and processes and describe the benefits we are seeing as a result. In addition, the change management and communications program will continue to create opportunities for input and feedback from employees, both directly through online and in person forums and through sponsors throughout the organization.

E. Phase 3 – Implementation Focused on Maintenance and Construction

In Phase 3, we will expand the regional team to include the Local Electric and Gas M&C organizations with the corresponding aspects of Regional Planning and Coordination (*e.g*. clerical), thereby bringing the remaining distribution operations work into regions. We anticipate executing this Phase in 2022. There is significant overhaul of the processes, systems, and controls required to make these local M&C teams successful, and the Company is already embarking on initiatives to create the process stability, consistency and visibility required before regionalizing these critical operations.[38]

There are a range of operational capabilities that need to be established in our M&C function that will precede regionalizing those teams, including:

- Asset investment plans that are developed and oriented around communities and customers, prioritizing investments to improve system performance and bundling work for efficient execution;
- Annual work plan development that gives operational teams visibility to upcoming work so they can plan and prepare to execute efficiently;
- Work and resource management that matches "supply and demand," manages work for on-time execution;
- Dependency management (permitting, customer notifications, traffic control, civil construction, etc.) that is tuned to operational needs and enables rather than impedes construction;
- Data governance and technology tools to simplify our processes, provide analytics for decision making, and enable employees to do their best work;
- Clear metrics and instrumentation developed to enable central oversight and monitoring of regional operations and outcomes; and
- Leadership capabilities developed so leaders are adept at managing a larger number of functions in the core workflow, with Customer Experience the focal point of operational execution. All regional leaders will understand how their actions (or inactions) impact the customer they serve before they assume responsibility for these functions.

With the right capabilities, processes, systems, and controls in place, we believe Local M&C crews integrated with scheduling and engineering resources as well as regionalized services such as local ministerial permitting and reliability engineering will be best positioned to deliver for our customers. However, without overhauling the processes, systems, and controls that enable this work, there is risk of greater disruption and degradation of outcomes for our customers and communities. To safeguard against any disruption, we will invest first in the capabilities, processes, systems, and controls, then and only then, will we regionalize the functions.

Similar to Phase 2, change management and communications efforts will be

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38 In Section I, PG&E explained that initiatives include a Safety, Data Governance, Asset Management, and Work Management.

focused on empowering leaders to execute on the required changes; inform everyone in the Company, especially those affected, what is happening; and collect feedback to support continuous improvement.

VII. STAKEHOLDER OUTREACH AND FEEDBACK

PG&E proposes seeking stakeholder feedback on the Regionalization Proposal through two primary avenues. First, PG&E proposes to conduct workshops on various aspects of its Regionalization Proposal in this proceeding. This will allow stakeholders an opportunity to ask questions, learn more about regionalization, and provide their feedback and input on PG&E's Regionalization Proposal. Workshops provide a better forum for such discussions than written comments.

Second, PG&E will continue outreach to stakeholders outside of the proceeding to inform them of our plans and receive feedback. Many stakeholders typically do not or cannot (because of time or cost constraints) participate in Commission proceedings or workshops. Thus, PG&E intends to proactively reach out to stakeholders through conversations and meetings to receive their feedback and input. For example, PG&E will reach out to suppliers, local and county government officials, tribal officials, union representatives, environmental groups, groups representing customers and disadvantaged communities, groups representing environmental justice, CCAs, groups representing customers with accessibility challenges, and other key stakeholders. This type of outreach will take time and PG&E expects that it will receive a wide variety of inputs and feedback. We look forward to this and to using this input to further refine and revise our Regionalization Proposal.

VIII. EVALUATING THE EFFECTIVENESS OF REGIONALIZATION

PG&E will focus on driving sustained and significant improvements by identifying enterprise outcomes in Safety, Customer Commitments, Customer Experience, Reliability, Affordability, Employee Experience and Sustainability. As indicated in the POR OII, the Commission "will initiate a new proceeding or a track within an existing proceeding to establish the Safety and Operational Metrics [for PG&E] with the input of parties."[39] As TURN noted, great care needs to be taken to develop these metrics.[40] We are developing a set of enterprise-level safety and operational metrics to propose in the designated proceeding that are measurable, quantifiable, and can be benchmarked against our peers. In combination, these measures will provide a holistic perspective of our performance. Ultimately, our improved performance will result in better and safer service for our customers.

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39 D.20-05-053, pp. 46-47.

40 D.20-05-053, p. 43.

PG&E will propose in the designated proceeding the enterprise metrics that could also be considered to evaluate the effectiveness of our regionalization. PG&E anticipates a subset of the enterprise metrics reviewed in the designated proceeding will be impacted by regionalization. Once this subset of metrics has been determined, PG&E will establish a process to measure and track these metrics at a regional level and use them in the performance evaluations and compensation of specific region leaders, including the Regional Vice Presidents. There will be a range of other supporting metrics that will also be identified and tracked, which will support effective management of the regions and promote improvements in the primary metrics discussed herein. The metrics that will be used to track regional performance will also allow PG&E to transparently observe the performance of the regions.

The primary outcomes and related metrics we anticipate focusing on at the regional level are:

- **Safety:** Our ambition is to operate and maintain our infrastructure so that it is safe and resilient to the specific hazards of our operating environment. We will create a safety culture at the enterprise level that will also apply at the Region, and the underlying safety systems and procedures that ensures the safety of our employee and contractor workforce.

- **Customer Commitments:** Our ambition is to meet all our commitments to our customers, in a timely, dependable and high-quality way, with empathy and professionalism. The creation of regional customer operations teams will better enable our employees to show up as "one PG&E" with the resources and accountabilities necessary to do so, and to be responsive to our customers.

- **Customer Experience:** Our ambition is to be viewed as collaborative partners by our local communities, that deliver customer service experiences that are seamless and simple, responsive and reliable.

- **Reliability:** Our ambition is to provide reliable gas and electric service to our customers, avoiding and minimizing outages and service disruptions whenever possible.

- **Employee Experience:** Our ambition is to continue providing a high-quality experience for our employees and cultivating a diverse workforce.

In the event that a region is not driving improvements in the outcomes and metrics, PG&E will examine the root causes and take appropriate action including: coaching and development for regional leadership teams, shifting the allocation of resources across regions, increasing assigned contractor capacity, and assigning additional central support including but not limited to continuous improvement capacity.

To the extent certain regions are performing better than others, PG&E will share best practices from the high performing regions with other regional leaders.

Given that the Commission and parties will be addressing metrics in a separate proceeding, including those can help in evaluating regionalization, PG&E is not proposing metrics here. This avoids duplication of efforts and potentially inconsistent outcomes. We will, however, use applicable metrics resulting from the Commission's proceeding to evaluate the effectiveness of regionalization and hold individual regions, and their leadership teams, accountable.

IX. COMMISSION GUIDANCE

In the POR Decision, the Commission identified topics that should be included in PG&E's Regionalization Proposal.[41] Table 6 below identifies these topics and where they can be found in the Regionalization Proposal. Several topics have not been directly addressed above and thus a more detailed discussion of these topics is provided below.

Table 6: Summary of Guidance in POR Decision

#	POR Decision Requirement	Proposal Section
1	Proposed Regions	Section IV.C
2	Governance Structure (Regional Leadership)	Section V.C.1
3	Categorization of functions as centrally managed, centralized functionally with regional presence, and regionally managed	Sections V.C and V.D
4	Regional roles, responsibilities and resource allocation relative to the corporate structure	Section V
5	How the plan will affect various types of customers, including hard-to-reach customers, low-income and disadvantaged communities and communities that have been subjected to wildfire and/or PSPS shutoffs	Section V.C.2.e (for customers generally) and Section IX.A (for hard-to-reach, disadvantaged and low-income customers)
6	How best practices will be shared between regions	Section IX.C
7	Costs and cost allocation of the plan	Section IX.F

41 D.20-05-053, pp. 55-57.

#	POR Decision Requirement	Proposal Section
8	Identification of services and gas and electric assets that will or will not be regionalized	Section V (services) and Section IX.E (assets)
9	How PG&E will evaluate the effectiveness of the plan	Section VIII
10	How regionalization will affect safety and PSPS impacts	Section IX.A
11	How PG&E will ensure robust communication with its customers in each region	Section IX.B
12	The need for a Regional Risk Officer	Section IX.D

A. Customer Impacts

PG&E's regional Customer Care representatives will continue PG&E's existing practice of reaching out to PG&E's hard-to-reach, low income and disadvantaged customers to provide an additional point of contact and to educate them about the various PG&E programs that are available to assist these customers. These programs serve customers through safety and preparedness, rate discounts, energy efficiency programs and resiliency. PG&E uses these programs to assist low-income and disadvantaged communities to reduce their energy burden.

PG&E will assist Medical Baseline customers, including targeted information for enrollment to reduce their monthly energy bills and receive additional notices of PSPS events. Customer Care representatives will also provide customers with information about other programs, such as the Energy Savings Assistance Program, California Alternate Rates for Energy Program, the Family Electric Rate Assistant Program, and energy efficiency programs, to reduce the energy burden on these customers. Regionalization will not change these programs, which are offered system wide. However, PG&E's regional leadership and customer teams will have an improved focus on low income, hard-to-reach and disadvantaged customers and will be more aware of the needs of these vulnerable customers.

Regionalization will not directly impact communities that have been subject to wildfire and/or PSPS events. Instead, other critical efforts currently being undertaken by PG&E will more directly impact wildfire risks and PSPS events. Programs to reduce wildfire risks and the impact of PSPS events are being addressed in other Commission proceedings. For example, wildfire risk mitigation is being addressed in the Commission's ongoing Wildfire Mitigation Plan proceeding (Rulemaking ("R.") 18-10-007) and the Commission is addressing customer impacts arising from PSPS in R.18-12-

005. Stakeholders, including parties representing communities impacted by wildfires and disadvantaged and low-income communities, are actively involved in these proceedings. PG&E recommends that this proceeding not duplicate these ongoing efforts. A brief summary of the PSPS and wildfire risk issues being addressed in those proceedings is provided below.

PG&E submitted proposals in R.18-12-005 regarding its Access and Functional Needs ("AFN") advisory council.[42] PG&E is committed to engaging with interested parties and advisory councils to gain feedback on its approaches for serving customers before, during and after PSPS events. PG&E launched the regional-focused AFN earlier this year. PG&E is actively collaborating with other utilities to develop the Statewide AFN advisory council.

In April 2020, PG&E launched an AFN-focused advisory council, called People with Disabilities and Aging Advisory Council ("PWDAAC"). The PWDAAC is a diverse group of recognized community-based organization leaders supporting people with developmental or intellectual disabilities, physical disabilities, chronic conditions, injuries, and older adult communities, as well as members and advocates from within these communities. The PWDAAC provides independent expertise to help ensure that PG&E's customer programs, operations, and communications incorporate best practices to support these populations now and in the future. PWDAAC will actively identify issues, opportunities, and challenges related to PG&E's ability to minimize the impacts of wildfire risks (including PSPS events), and other emergencies in Northern and Central California over the long term. It will also serve as a sounding board and offer insights, feedback, and direction on PG&E's customer strategy, programs and priorities. Finally, the PWDAAC will share experiences, perspectives, and best practices for improving PG&E's customer performance.

PG&E will convene the PWDAAC for at least four in-person meetings per year (subject to potential COVID-19 restrictions). To create momentum, PWDAAC and PG&E have agreed to initially meet on a monthly basis to help PG&E improve its PSPS and Medical Baseline and AFN program performance from 2019. Once momentum has been established, these meetings will move to quarterly. Ideally, the meetings will be in-person, however, given the current COVID-19 pandemic conditions, online forums (e.g., WebEx) will be utilized until in-person meetings are safe to conduct. PG&E is also actively collaborating with other utilities develop the Statewide AFN advisory council.

PG&E will also continue to engage with and solicit feedback on its AFN Plan from other existing advisory groups, including the Disadvantaged Communities Advisory Group, the Low Income Oversight Board, the Communities of Color Advisory Group and

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42 *Pacific Gas and Electric Company's Access and Functional Needs Plan for Public Safety Power Shutoff Support*, R.18-12-005 (June 1, 2020).

various local advisory councils and working groups.

Community engagement about wildfire safety, including PSPS events, is also generally described in PG&E's 2020 Wildfire Mitigation Plan ("2020 WMP") submitted on February 7, 2020 in R.18-10-007. PG&E described in its 2020 WMP how it is and will continue to work with disadvantaged and AFN communities to provide information and support concerning wildfire risks. These outreach efforts will not be directly impacted by regionalization, but regionalization can enhance these efforts as PG&E employees and leaders are closer and more accessible to these communities.

B. Robust Customer Communications

To support customer communications, additional local customer related functions within the Regions would likely include some combination of current-state local Division Teams, Local Customer Service support, City/County/K-12 Customer Account Management, Community Based Organization engagement and Community Wildfire Safety Program ("CWSP") and PSPS Customer Engagement Delivery. Regional leadership teams, including the Regional Vice Presidents will be members of the local community, enhancing PG&E's understanding of local needs, unique local characteristics, and exception management. These leadership teams will be key resources in listening to the "voice of the customer" with overall accountability at the Regional level for addressing customer escalations and facilitating issue resolution.

C. Sharing Best Practices Between Regions

It is critical that best practices be shared among the regions to help each region and PG&E develop operational excellence. There are several ways that the sharing of best practices will be facilitated. First, every Regional Vice President will report to the PG&E CEO. Through reporting and frequent interactions, the PG&E CEO will be able to see what is going well in a specific region, and what is not, and will be able to highlight successful practices to other regions. In addition, we expect the Regional Vice Presidents and the PG&E CEO will meet often to discuss operational situations in each region and to discuss what approaches have been successful.

Second, evaluation and data from performance on safety and operational metrics will allow PG&E to monitor the performance of each region. This information will be shared with all the Regional Vice Presidents and other officers, so the leadership team will learn from practices that are working and areas to improve.

Third, because many functions and organizations will remain centralized, as described in Section V, these organizations can gather information, data, and feedback from all the regions and act as a central source for reviewing and analyzing this information to determine what is working well. Since many of the standards and policies will still be established centrally for the whole organization, regional successes can be used to determine the policies and standards for the entire organization.

D. Regional Risk Officers

As discussed in the POR Decision, PG&E believes that a regional risk officer reporting to the CRO would not help reduce risk throughout the enterprise and could lead to inconsistent application of risk mitigation practices.[43] Each of PG&E's enterprise risks will have a risk owner who will plan to mitigate that risk and monitor data about PG&E's risk mitigation efforts for that risk on an enterprise-wide basis. The CRO establishes a set of policies and processes to identify and measure risk which are consistent across the enterprise and will work closely with the risk owners, subject matter experts, and Regional Safety Directors to understand the drivers and consequences specific to that region. Adding an extra layer of management between the CRO and these risk owners by appointing region-specific risk personnel could detract from the CRO's ability to ensure consistency across the enterprise regarding the process for evaluating risk, and at best is a redundancy that is unnecessary in light of the CRO's centralized function.

E. Electric and Gas Assets

Electric and gas assets will not be divided regionally *per se*. While these assets exist in regions, asset management and standards and requirements related to these assets will continue to be centrally managed. However, as described in Section V.C., PG&E will create regional maintenance and construction teams for these assets.

F. Costs of Regionalization

Finally, the POR Decision indicates that PG&E should address cost and cost allocation issues.[44] PG&E interprets this requirement as requiring an explanation of the incremental costs that would be incurred in executing the Regionalization Proposal, *i.e.* costs it would not have incurred but for regionalization. Given that the Regionalization Proposal is in its early stages, PG&E does not have a detailed estimate of all costs attributable to regionalization. PG&E's current estimate of its incremental costs is included in Appendix C.

PG&E anticipates costs may arise in the following areas: (1) hiring the Regional Vice Presidents, Regional Safety Directors, and potentially other positions; (2) implementing system changes to allow work scheduling, planning, reporting, and other business functions to be conducted by new regions; and (3) expenditures for regional headquarters or other workplace modifications for each of the proposed five regions. There may also be unanticipated costs for activities related to areas like transportation

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43 D.20-05-053, p. 50.

44 D.20-05-053, pp. 56-57.

services, material warehouses, and the like. PG&E will have more visibility into incremental costs as we advance into Phase 1 of implementation, described in Section VI.D above.

While PG&E is requesting authority to record incremental costs related to the Regionalization Proposal in a new memorandum account, PG&E may choose to not seek cost recovery of some costs. PG&E did not request cost recovery for its officer compensation and other benefits in its 2020 GRC, which exceeds Commission requirements to remove compensation of officers from utility rates.[45] Consistent with this approach, PG&E will not seek to recover the costs of the compensation and benefits for the new Regional Vice Presidents through 2022. Compensation for all PG&E officers after 2022, including the Regional Vice Presidents, will be addressed in PG&E's 2023 GRC.

1. Regional Plan Memorandum Account

PG&E requests the Commission authorize it to establish a Regional Plan Memorandum Account ("RPMA") effective on the filing date of June 30, 2020 to record incremental costs that PG&E may incur in connection with development and implementation of its Regionalization Proposal. A memorandum account effective on the filing date is appropriate because PG&E is required to incur costs to implement the plan while the application is pending in order to meet Commission requirements to take steps to implement the Regionalization Proposal, including hiring regional leadership, by June 2021. Costs to reorganize PG&E into new regions were not sought in PG&E's 2020 GRC and there is uncertainty about the amounts due to the early stages in planning for regionalization. Authority to open the memorandum account would not prejudice any party's ability to contest the recorded costs at such time that PG&E seeks cost recovery. Draft preliminary statements for the memorandum accounts are attached as Appendix D.

2. Cost Allocation

PG&E proposes to continue its existing cost allocation methodologies for expenses related to regionalization, including those estimated in Appendix C. Cost allocation issues for certain of PG&E costs were disputed by an intervenor in PG&E's 2020 GRC and may be addressed in the Commission's decision in that proceeding. PG&E will adhere to any change in cost allocation required by that decision for any costs attributable to regionalization.

X. CONCLUSION

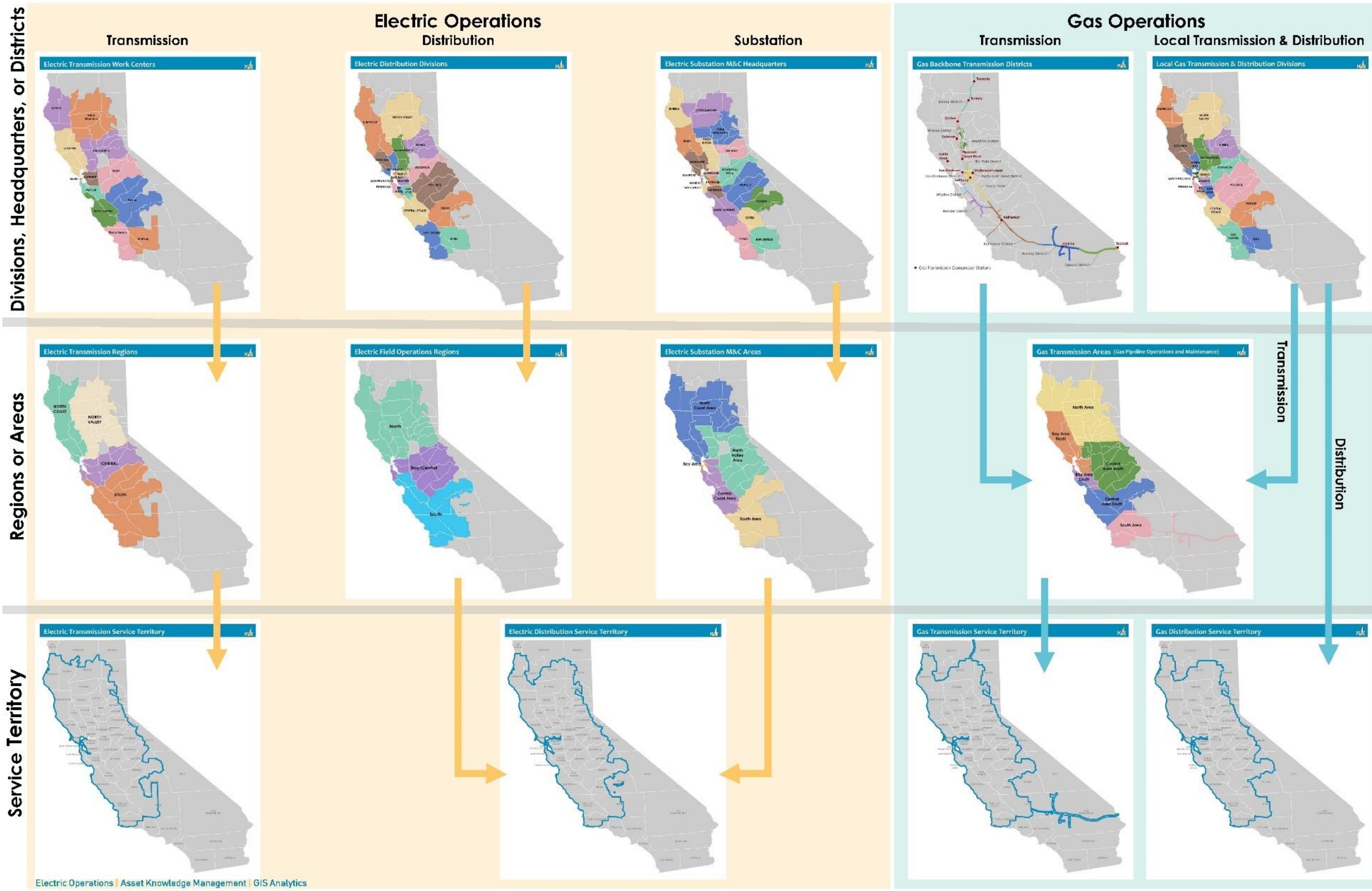
We recognize that PG&E has a long way to go to earn the trust of the communities and customers that we serve, our regulators, and stakeholders. Regionalization is one

45 Resolution E-4963

element of PG&E's broader efforts to become operationally excellent, to understand and address the risks of our infrastructure as we work to safeguard the public, and to consistently deliver on our commitments to customers and communities. We look forward to the input and feedback from stakeholders, the Commission, and customers regarding this Regionalization Proposal.

Appendix A

Maps of the Current Divisions and Regions for its Electric and Gas Operations


Divisions, Headquarters, or Districts
Regions or Areas
Service Territory
Electric Operations
Transmission
Distribution
Substation
Gas Operations
Transmission
Local Transmission & Distribution
Electric Transmission Work Centers
Electric Distribution Divisions
Electric Substation M&C Headquarters
Gas Backbone Transmission Districts
Local Gas Transmission & Distribution Divisions
Electric Transmission Regions
Electric Field Operations Regions
Electric Substation M&C Areas
Gas Transmission Areas
Transmission
Distribution
Electric Transmission Service Territory
Electric Distribution Service Territory
Gas Transmission Service Territory
Gas Distribution Service Territory
Electric Operations | Asset Knowledge Management | GIS Analytics

Appendix B

Key Attributes of Regions[46]

	Region 1 North Coast	Region 2 Sierra	Region 3 Bay Area	Region 4 Central Coast	Region 5 Central Valley
Overview of Region					
Service Area Square Miles	17,177	17,228	2,510	11,761	23,710
Population per Square Mile	167	50	1,915	276	128
# of Existing Service Centers	25	20	17	16	22
Maximum Drive Time Estimate within the Region (Hours)	~5-5.5	~4-4.5	~1.5-2	~3.5-5	~4-4.5
Overview of Region Customers					
# of Residential Customers (Million)	1.09	0.52	1.77	1.04	1.21
# Medical Baseline Customers	25,820	23,788	39,903	24,776	62,345
# CARE Customers	154,853	113,007	277,731	193,631	430,252
# Life Support Customers	17,455	15,146	26,041	17,238	39,588
# Critical Electric Customers (Level 1 and 2)	2,297	1,868	4,630	3,398	3,738
# Commercial and Industrial Electric Premise Customers	75,523	51,772	162,441	107,636	111,767
# Large Business Electric Customers	27,800	15,868	51,155	35,694	62,059

46 The data in Appendix B comes from various sources including census data and PG&E customer information.

	Region 1 North Coast	Region 2 Sierra	Region 3 Bay Area	Region 4 Central Coast	Region 5 Central Valley
# Midsize Business Electric Customers	9,049	5,137	15,030	11,102	18,184
# Small/Micro Business Electric Customers	66,949	48,321	118,115	85,305	105,158
% Language other than English spoken at home	30%	15%	41%	47%	43%
Sum of Avg Annual Gas + Avg Annual Electric Bill (Residential)	$2,171	$2,327	$1,826	$1,817	$2,021
Energy Cost as a % of Income	3%	4%	2%	2%	4%
Overview of Region Work[47]					
# of New Service Applications	20%	16%	29%	17%	19%
% of Electric Emergency/Restoration - Major	23%	48%	6%	12%	11%
% of Electric Emergency/Restoration - Routine	16%	12%	26%	22%	24%
% of Electric Compliance/Maintenance	22%	19%	29%	15%	15%
% of Electric Work at the Request of Others	14%	12%	31%	22%	21%
% of Electric Wildfire Inspections	12%	27%	6%	17%	37%
% of Gas Distribution Pipeline Construction	28%	7%	44%	9%	12%

47 Select figures on work mix are collected by our existing Division structure, which do not follow county lines and therefore do not perfectly correspond to the proposed regions. Assumptions have been made to allocate Division level data to regions to indicate how work will vary across regions.

	Region 1 North Coast	Region 2 Sierra	Region 3 Bay Area	Region 4 Central Coast	Region 5 Central Valley
% of Gas Distribution Regulator Stations	28%	4%	32%	16%	21%
% of Gas Work at the Request of others and New Business	29%	10%	30%	12%	19%
% of Gas Field Services	17%	10%	36%	18%	19%
% of Gas Corrosion	19%	0%	46%	19%	16%
% of Gas Other Corrective and Compliance	35%	4%	26%	18%	16%
% of Gas Leak Repair	27%	5%	46%	12%	10%
% of Gas HPR	38%	10%	19%	16%	18%
% Overhead Line Miles in HFTD Tier 2 and Tier 3	21%	36%	8%	17%	18%
% of High Consequence Pipeline Miles	23%	8%	27%	18%	23%
# of 2019 PSPS Customer Instances (Thousands)	365	273	296	108	97

Appendix C

Estimates of Incremental Costs of Regionalization

As described in our Regionalization Proposal, PG&E is still in the early stages of design and anticipates that its Regionalization Proposal will evolve through the course of this proceeding. PG&E is now entering the next phase of regionalization (Phase 1-Detailed Design & Implementation Planning) and will have more detailed information, including cost information, later in 2020 and 2021. Currently, PG&E anticipates many of the new costs attributable to regionalization to arise in the following areas: (1) Human Resources; (2) Information Technology; and (3) Real Estate. Below, PG&E outlines the potential drivers of costs, current assumptions about costs, and the high-level estimated incremental costs.

(1) Human Resources:

a. Anticipated driver of costs: hiring the Regional Vice Presidents and Regional Safety Directors

b. Current assumptions about costs:

   i. Regional Vice Presidents: There will be five new officer positions. None are anticipated to be filled by eliminating an existing officer position. The annual nominal cost for a vice president is approximately $897,813. Actual salary and benefits will be determined upon hiring. These positions will be shareholder funded through 2022.

   ii. Regional Safety Directors: There will be five new directors. None of the positions would be filled by eliminating an existing director position. The annual nominal cost for a director is approximately $521,472. The actual salary and benefits will be determined upon hiring.

   iii. Additional new positions may be created, including directors reporting to the Regional Vice Presidents and other positions as needed. Certain of these positions may be filled by transferring internal resources.

c. Total estimate: Approximately $7 million annually.

d. Cost Allocation: Provided the Regional Safety Directors focus predominantly on electric and gas distribution rather than transmission, costs incurred for these positions would be allocated 55% electric distribution, and 45% gas distribution, which is based on the number of PG&E service agreements across the service area.

(2) Information Technology:

a. Anticipated driver of costs: changes to systems to allow work execution, scheduling, planning, reporting and other business functions to be conducted by new regions. Extensive changes will be needed over time to effectively support regionalization. More information, including a detailed implementation plan about the changes in functions for the new regions would be needed for a detailed cost estimate.

b. Total estimate: $17-$47 million (2020-2022); this estimate is subject to change depending on decisions made regarding the region implementation approach (one go-live vs. phased), operating model for regions and resulting technology requirements, the accuracy of the assumptions above and the implementation plan for the required system changes. The amount that will be capital or expense is unknown at this time. PG&E also notes that this is a Class 5 estimate range as defined by the Association for Advancement of Costs Engineering (AACE International). Estimates will be revised as decisions are made and requirements are solidified.

c. Cost allocation: Provided the IT system costs predominantly benefit electric and gas distribution, costs would be allocated 55% electric distribution, and 45% gas distribution, which is based on the number of PG&E service agreements across the service area. This allocation could change depending on the final design of the IT system.

(3) Real Estate:

a. Anticipated driver of costs: Expenditures for regional headquarters or other workplace for each of the proposed regions required if we cannot utilize the current portfolio "as-is" and/or utilize enhanced employee mobility (*i.e.,* working remotely). As additional employees are assigned to the regions, PG&E's real estate needs will be reassessed and re-estimated for timeframes beyond 2022.

b. Current estimate: $5-$35 million (2021-2022). This estimate most likely will change as regionalization is implemented. The range contemplates potential restack of two existing regional office complexes and potential development of three new regional offices. Estimates are based on recent experience with office restack and development. Consistent with the IT section above, PG&E notes that this is a Class 5 estimate as defined by the AACE International. Estimates will be revised as decisions are made and requirements are solidified.

c. Cost Allocation: PG&E allocates real estate assets that are incurred for the benefit of all customers as common. These costs would be allocated to electric and gas according to existing practices as follows:

	2019 O&M Labor Factors
Electric Department	
EG - Power Generation - GRC	22.54%
ET - Network Transmission	7.34%
ED - Electric Distribution	37.98%
Total Electric	67.85%
Gas Department	
GT - Gas Transmission and Storage	9.55%
GD - Gas Distribution	22.60%
Total Gas	32.15%

Appendix D

Draft Preliminary Statements for the Regional Plan Memorandum Accounts

GAS PRELIMINARY STATEMENT PART XX (N)
REGIONAL PLAN MEMORANDUM ACCOUNT – GAS (RPMA-G) (N)

XX. REGIONAL PLAN MEMORANDUM ACCOUNT - GAS (RPMA-G) (N)

1. PURPOSE: The purpose of the Regional Plan Memorandum Account (RPMA) is to track and record the incremental costs incurred related to developing and implementing PG&E's Regionalization Plan in accordance with the requirements of D.20-05-053. Such costs may include amounts related to facilities and real estate, information technology, compensation of new regional employees, and other reasonable expenditures to implement the regional restructuring required by D.20-05-053. The RPMA will not include costs recorded and recovered in another account. (N)

2. APPLICABILITY: The RPMA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. REVISION DATES: Disposition of the balance in the account will be through a General Rate Case (GRC) or other application as authorized by the Commission.

4. RATES: The RPMA does not have a separate rate component.

5. ACCOUNTING PROCEDURE: The following entries will be made each month, or as applicable:

   a) A debit entry equal to incremental costs of regionalization including but not limited to amounts related to facilities and real estate, information technology, and compensation of regional personnel;

   b) A debit or credit entry equal to the capital revenue requirement associated with the actual capital expenditures incurred. Capital-related revenue requirements include depreciation expense, return on rate base at the authorized cost of capital, federal and state income taxes, and property taxes, associated with the capital asset additions

   c) An entry to record the transfer of amounts to or from other accounts as approved by the Commission; and

   d) An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor. (N)

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART XX (N)
REGIONAL PLAN MEMORANDUM ACCOUNT – ELECTRIC (RPMA-E) (N)

XX. REGIONAL PLAN MEMORANDUM ACCOUNT - ELECTRIC (RPMA-E) (N)

1. PURPOSE: The purpose of the Regional Plan Memorandum Account (RPMA) is to track and record the incremental costs incurred related to developing and implementing PG&E's Regionalization Plan in accordance with the requirements of D.20-05-053. Such costs may include amounts related to facilities and real estate, information technology, compensation of new regional employees, and other reasonable expenditures to implement the regional restructuring required by D.20-05-053. The RPMA will not include costs recorded and recovered in another account. (N)

2. APPLICABILITY: The RPMA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. REVISION DATES: Disposition of the balance in the account will be through a General Rate Case (GRC) or other application as authorized by the Commission.

4. RATES: The RPMA does not have a separate rate component.

5. ACCOUNTING PROCEDURE: The following entries will be made each month, or as applicable:

   a) A debit entry equal to incremental costs of regionalization including but not limited to amounts related to facilities and real estate, information technology, and compensation of regional personnel;

   b) A debit or credit entry equal to the capital revenue requirement associated with the actual capital expenditures incurred. Capital-related revenue requirements include depreciation expense, return on rate base at the authorized cost of capital, federal and state income taxes, and property taxes, associated with the capital asset additions;

   c) An entry to record the transfer of amounts to or from other accounts as approved by the Commission; and

   d) An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor. (N)

(Continued)

Appendix E – Scoring Matrix Used For Evaluation of Functions

	1 point	2 points	3 points	4 points
Work requires in person local interaction	*Rarely if at all*	*Occasionally*	*Frequently*	*Daily*
Decision making speed and quality requires on-the-ground insights	*Rarely*	*Occasionally*	*Frequently*	*Daily*
Localization allowed or needed	*Limited to none*	*Occasionally*	*Frequently*	*Almost always*
Cost or expertise benefits from centralizing	*Significant benefits*	*Moderate benefits*	*Modest benefits*	*Limited benefits*
Regional management is impactful in driving successful outcomes	*No impact*	*Low impact*	*Some impact*	*High impact*

<u>ATTACHMENT B</u>

AMENDED AND RESTATED ARTICLES OF INCORPORATION

A0840999

COGENCYGLOBAL®

1325 J STREET, SUITE 1550
SACRAMENTO, CA 95814
(866) 369.1640 • FAX (866) 621.3522

DOCUMENT FILING REQUEST FORM

Date: 06/22/2020 Order #: 1234142 CSR: Connie

Client Name & Address:

Company Name: COGENCY GLOBAL INC

Street Address: 1325 J STREET, SUITE 1550

City: SACRAMENTO State: CA Zip: 95814

Attn: CONNIE MIX Telephone: 866.369.1640

CORPORATION NAME:

PACIFIC GAS AND ELECTRIC COMPANY

SPECIAL INSTRUCTIONS: Please Issue 06/22/2020 File Date

PLEASE RETURN ONE CERTIFIED COPY OF EVIDENCE

SECRETARY OF STATE USE ONLY

T______	CERT______	C/F______	C/GS______
Amount Rec'd______	ARTS______	AMDT______	DISS______
Cash ____ Check_____ Credit Card______			
Money Order______	MERG______	DS______	
Check/Money Order #______			

LR______ LEGAL REVIEW NOTES:______

A0840999

FILED JMH
Secretary of State
State of California

JUN 22 2020

0044131

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
PACIFIC GAS AND ELECTRIC COMPANY

ANDREW M. VESEY and BRIAN M. WONG certify that:

1. They are the Chief Executive Officer and President, and the Vice President, Deputy General Counsel and Corporate Secretary, respectively, of Pacific Gas and Electric Company, a California corporation (the "Utility"), and have the power to act on behalf of the Utility pursuant to the order confirming the Debtors' and Shareholder Proponents' Joint Chapter 11 Plan of Reorganization Dated June 19, 2020 (the "Plan"), entered on June 20, 2020 by the United States Bankruptcy Court for the Northern District of California Case No. 19-30088, the Hon. Dennis Montali judge presiding [Bankruptcy Docket No. 8053].

2. The Articles of Incorporation of the Utility, as amended to the date of the filing of this certificate, including the amendments set forth herein but not separately filed (and with the omissions required by Section 910 of the California Corporations Code), are amended and restated as follows:

FIRST: That the name of said corporation shall be

PACIFIC GAS AND ELECTRIC COMPANY.

SECOND: The purpose of the Utility is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

The right is reserved to this corporation to amend the whole or any part of these Articles of Incorporation in any respect not prohibited by law.

THIRD: That this corporation shall have perpetual existence.

FOURTH: The Board of Directors (the "Board") by a vote of two-thirds of the whole Board may appoint from the directors an Executive Committee, which Committee may exercise such powers as may lawfully be conferred upon it by the Bylaws of the Utility; provided, that the powers of the Executive Committee may not supersede the powers and responsibilities delegated to the Safety and Nuclear Oversight Committee in accordance with the charter of the Safety and Nuclear Oversight Committee. Such Committee may prescribe rules for its own government and its meetings may be held at such places within or without California as said Committee may determine or authorize.

FIFTH: The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

SIXTH: The Utility is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaws, resolutions, agreements with agents, vote of shareholders or disinterested directors, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the applicable limits set forth in Section 204 of the California Corporations Code.

SEVENTH: The total number of shares which the Utility is authorized to issue is eight hundred eighty-five million (885,000,000) of the aggregate par value of six billion eight hundred seventy-five million dollars ($6,875,000,000). All of these shares shall have full voting rights. The Utility shall not issue nonvoting equity securities (as such term is defined in Section 101(16) of the United States Bankruptcy Code ("Bankruptcy Code")) to the extent prohibited by Section 1123(a)(6) of the Bankruptcy Code for so long as such Section 1123(a)(6) is in effect and applicable to the Utility.

Said eight hundred eighty-five million (885,000,000) shares shall be divided into three classes, designated as common stock, first preferred stock and $100 first preferred stock. Eight hundred million (800,000,000) of said shares shall be common stock, of the par value of $5 per share, seventy-five million (75,000,000) of said shares shall be first preferred stock, of the par value of $25 per share, and ten million (10,000,000) of said shares shall be $100 first preferred stock, of the par value of $100 per share.

FIRST PREFERRED STOCK
AND $100 FIRST PREFERRED STOCK

The first preferred stock and $100 first preferred stock each shall be divided into series. The first series of first preferred stock shall consist of four million two hundred eleven thousand six hundred sixty-two (4,211,662) shares and be designated as Six Per Cent First Preferred Stock. The second series of first preferred stock shall consist of one million one hundred seventy-three thousand one hundred sixty-three (1,173,163) shares and be designated as Five and One-Half Per Cent First Preferred Stock. The third series of first preferred stock shall consist of four hundred thousand (400,000) shares and be designated as Five Per Cent First Preferred Stock. The fourth series of first preferred stock shall consist of one million seven hundred seventy eight thousand one hundred seventy two (1,778,172) shares and be designated as 5% Redeemable First Preferred Stock. The fifth series of first preferred stock shall consist of nine hundred thirty four thousand three hundred twenty two (934,322) shares and be designated as 5% Redeemable First Preferred Stock, Series A. The sixth series of first preferred stock shall consist of seven hundred ninety three thousand thirty one (793,031) shares and be designated as 4.80% Redeemable First Preferred Stock. The seventh series of first preferred stock shall consist of six hundred eleven thousand one hundred forty two (611,142) shares and be designated as 4.50% Redeemable First Preferred Stock. The eighth series of first preferred stock shall consist of four hundred eighteen thousand two hundred ninety one (418,291) shares and be designated as 4.36% Redeemable First Preferred Stock. The foregoing series of first preferred stock shall have no conversion rights.

The remainder of said first preferred stock, viz., 64,680,217 shares, and all of the $100 first preferred stock may be issued in one or more additional series, as determined from time to time by the Board. Except as provided herein, the Board is hereby authorized to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon the first preferred stock or $100 first preferred stock or any series thereof with respect to any wholly unissued series of first preferred stock or $100 first preferred stock, and to fix the number of shares of any series of first preferred stock or $100 first preferred stock and the designation of any such series of first preferred stock or $100 first preferred stock. The Board, within the limits and restrictions stated in any resolution or resolutions of the Board originally fixing the number of shares constituting any series, may increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series subsequent to the issue of shares of that series.

The owners and holders of shares of said first preferred stock and $100 first preferred stock, when issued as fully paid, are and shall be entitled to receive, from the date of issue of such shares, out of funds legally available therefor, cumulative preferential dividends, when and as declared by the Board, at the following rates upon the par value of their respective shares, and not more, viz.: Six per cent (6%) per year upon Six Per Cent First Preferred Stock; five and one-half per cent (5-1/2%) per year upon Five and One-Half Per Cent First Preferred Stock; five per cent (5%) per year upon Five Per Cent First Preferred Stock; and upon the shares of each additional series of said first preferred stock and of each series of $100 first preferred stock the dividend rate fixed therefor, and such dividends on both classes of first preferred stock and $100 first preferred stock shall be declared and shall be either paid or set apart for payment before any dividend upon the shares of common stock shall be either declared or paid. The dividend rate shall be five per cent (5%) per year upon 5% Redeemable First Preferred Stock; five per cent (5%) per year upon 5% Redeemable First Preferred Stock, Series A; four and eight tenths per cent (4.80%) per year upon 4.80% Redeemable First Preferred Stock; four and one-half per cent (4.50%) per year upon 4.50% Redeemable First Preferred Stock; four and thirty six hundredths per cent (4.36%) per year upon 4.36% Redeemable First Preferred Stock.

Upon the liquidation or dissolution of this corporation at any time and in any manner, the owners and holders of shares of said first preferred stock and $100 first preferred stock issued as fully paid will be entitled to receive an amount equal to the par value of such shares plus an amount equal to all accumulated and unpaid dividends thereon to and including the date fixed for such distribution or payment before any amount shall be paid to the holders of said common stock.

If any share or shares of first preferred stock and $100 first preferred stock shall at any time be issued as only partly paid, the owners and holders of such partly paid share or shares shall have the right to receive dividends and to share in the assets of this corporation upon its liquidation or dissolution in all respects like the owners and holders of fully paid shares of first preferred stock and $100 first preferred stock, except that such right shall be only in proportion to the amount paid on account of the subscription price for which such partly paid share or shares shall have been issued.

The unissued shares of said first preferred stock and $100 first preferred stock may be offered for subscription or sale or in exchange for property and be issued from time to time upon such terms and conditions as said Board shall prescribe.

The first three series of said first preferred stock, namely, the Six Per Cent First Preferred Stock, the Five and One-Half Per Cent First Preferred Stock, and the Five Per Cent First Preferred Stock, are not subject to redemption. The redemption price of the 5% Redeemable

First Preferred Stock shall be $26.75 per share; the redemption price of the 5% Redeemable First Preferred Stock, Series A shall be $26.75 per share; the redemption price of the 4.80% Redeemable First Preferred Stock shall be $27.25 per share; the redemption price of the 4.50% Redeemable First Preferred Stock shall be $26.00 per share; and the redemption price of the 4.36% Redeemable First Preferred Stock shall be $25.75 per share.

Any or all shares of each series of said first preferred stock and $100 first preferred stock other than said first three series of first preferred stock may be redeemed at the option of this corporation, at any time or from time to time, at the redemption price fixed for such series together with accumulated and unpaid dividends at the rate fixed therefor to and including the date fixed for redemption. If less than all the outstanding shares of any such series are to be redeemed; the shares to be redeemed shall be determined pro rata or by lot in such manner as the Board may determine.

Unless the certificate of determination for any series of the first preferred stock or the $100 first preferred stock shall otherwise provide, notice of every such redemption shall be published in a newspaper of general circulation in the City and County of San Francisco, State of California, and in a newspaper of general circulation in the Borough of Manhattan, City and State of New York, at least once in each of two (2) successive weeks, commencing not earlier than sixty (60) nor later than thirty (30) days before the date fixed for redemption; successive publications need not be made in the same newspaper. A copy of such notice shall be mailed within the same period of time to each holder of record, as of the record date, of the shares to be redeemed, but the failure to mail such notice to any shareholder shall not invalidate the redemption of such shares.

From and after the date fixed for redemption, unless default be made by this corporation in paying the amount due upon redemption, dividends on the shares called for redemption shall cease to accrue, and such shares shall be deemed to be redeemed and shall be no longer outstanding, and the holders thereof shall cease to be shareholders with respect to such shares and shall have no rights with respect thereto except the right to receive from this corporation upon surrender of their certificates the amount payable upon redemption without interest. Or, if this corporation shall deposit, on or prior to the date fixed for redemption, with any bank or trust company in the City and County of San Francisco, having capital, surplus and undivided profits aggregating at least five million dollars ($5,000,000), as a trust fund, a sum sufficient to redeem the shares called for redemption, with irrevocable instructions and authority to such bank or trust company to publish or complete the publication of the notice of redemption (if this corporation shall not have theretofore completed publication of such notice), and to pay, on and after the date fixed for redemption, or on and after such earlier date as the Board may determine, the amount payable upon redemption of such shares, then from and after the date of such deposit (although prior to the date fixed for redemption) such shares shall be deemed to be redeemed; and dividends on such shares shall cease to accrue after the date fixed for redemption. The said deposit shall be deemed to constitute full payment of the shares to their respective holders and from and after the date of such deposit the shares shall be no longer outstanding, and the holders thereof shall cease to be shareholders with respect to such shares and shall have no rights with respect thereto except the right to receive from said bank or trust company the amount payable upon redemption of such shares, without interest, upon surrender of their certificates therefor, and except, also, any right which such shareholders may then have to exchange or convert such shares prior to the date fixed for redemption. Any part of the funds so deposited which shall not be required for redemption payments because of such exchange or conversion shall be repaid to this corporation forthwith. The balance, if any, of the funds so deposited which shall be unclaimed at the end of six (6) years from the date fixed for redemption shall be repaid to this corporation together with any interest which shall have been allowed thereon; and thereafter the unpaid holders of shares so called for redemption shall have no claim for payment except as against this corporation.

All shares of the first preferred stock and $100 first preferred stock shall rank equally with regard to preference in dividend and liquidation rights, except that shares of different classes or different series thereof may differ as to the amounts of dividends or liquidation payments to which they are entitled, as herein set forth.

COMMON STOCK

When all accrued dividends upon all of the issued and outstanding shares of the first preferred stock and $100 first preferred stock of this corporation shall have been declared and shall have been paid or set apart for payment, but not before, dividends may be declared and paid, out of funds legally available therefor, upon all of the issued and outstanding shares of said common stock.

Upon the liquidation or dissolution of this corporation, after the owners and holders of such first preferred stock and $100 first preferred stock shall have been paid the full amount to which they shall have been entitled under the provisions of these Articles of Incorporation, the owners and holders of such common stock shall be entitled to receive and to have paid to them the entire residue of the assets of this corporation in proportion to the number of shares of said common stock held by them respectively.

If any share or shares of common stock shall at any time be issued as only partly paid, the owners and holders of such partly paid share or shares shall have the right to receive dividends and to share in the assets of this corporation upon its liquidation or dissolution in all respects like the owners and holders of fully paid shares of common stock, except that such right shall be only in proportion to the amount paid on account of the subscription price for which such partly paid share or shares shall have been issued.

The unissued shares of said common stock may be offered for subscription or sale or in exchange for property and be issued from time to time upon such terms and conditions as the Board may prescribe.

PROHIBITION AGAINST ASSESSMENTS

Shares of such stock, whether first preferred, $100 first preferred stock or common stock, the subscription price of which shall have been paid in full, whether such price be par or more or less than par, shall be issued as fully paid shares and shall never be subject to any call or assessment for any purpose whatever. Shares of such stock, whether first preferred, $100 first preferred stock or common stock, a part only of the subscription price of which shall have been paid, shall be subject to calls for the unpaid balance of the subscription price thereof. But no call made on partly paid first preferred stock, partly paid $100 first preferred stock or partly paid common stock shall be recoverable by action or be enforceable otherwise than by sale or forfeiture of delinquent stock in accordance with the applicable provisions of the Corporations Code of California.

If at any time, whether by virtue of any amendment of these Articles of Incorporation or any amendment or change of the law of the State of California relating to corporations or otherwise, any assessment shall, in any event whatever, be levied and collected on any subscribed and issued shares of said first preferred stock or $100 first preferred stock after the subscription price thereof shall have been paid in full, the rights of the owners and holders thereof to receive dividends and their rights to share in the assets upon the liquidation or dissolution of this corporation shall, immediately upon the payment of such assessment and by virtue thereof, be increased in the same ratio as the total amount of the assessment or assessments so levied and collected shall bear to the par value of such shares of first preferred stock or $100 first preferred stock.

RESERVES

The Board shall, notwithstanding the foregoing provisions of these Articles of Incorporation, have authority from time to time to set aside, out of the profits arising from the business of this corporation, such reasonable sums as may in their judgment be necessary and proper for working capital and for usual reserves and surplus.

EIGHTH:

Restrictions on Transfer of Securities. To ensure the preservation of certain tax attributes for the benefit of the corporation and its shareholders, certain restrictions on the transfer of Utility Securities (as defined below) are hereby established as more fully set forth in this **Article EIGHTH**.

(a) Definitions. For purposes of this **Article EIGHTH**, the following terms shall have the meanings indicated (and any references to any portions of Treasury Regulation Sections 1.382-2T, 1.382-3, 1.382-4 and 1.1502-92 shall include any successor provisions):

"Acquiring Group" means any group of Persons where one or more Persons in such group acquires or seeks to acquire beneficial ownership of HoldCo Securities and one or more other Persons in such group also acquires or seeks to acquire beneficial ownership of Company Group Securities other than HoldCo Securities (other than an indirect acquisition solely as a result of the acquisition of HoldCo Securities), such as outstanding shares of Utility Preferred Stock, pursuant to a plan or arrangement within the meaning of Treasury Regulations Section 1.1502-92(c)(3)(i).

"Agent" means an agent designated by the Board.

"Company Group" means HoldCo and its consolidated subsidiaries for U.S. federal income tax purposes.

"Company Group Securities" means (i) HoldCo Securities, (ii) Utility Securities (other than Utility Securities held by the Corporation), and (iii) any other interests of a member of the Company Group designated as stock by the Board as disclosed in a United States Securities and Exchange Commission (the "SEC") filing by HoldCo.

"Excess Securities" means Utility Securities that are the subject of the Prohibited Transfer.

"HoldCo" means PG&E Corporation.

"HoldCo Charter" means the Amended and Restated Articles of Incorporation of HoldCo.

"HoldCo Securities" means (i) shares of common stock issued by HoldCo, (ii) shares of Preferred Stock issued by HoldCo (other than preferred stock described in Section 1504(a)(4) of the Tax Code) and (iii) any other interest designated as "stock" of HoldCo by the Board of HoldCo, as disclosed in a United States Securities and Exchange Commission filing by HoldCo.

"Percentage Stock Ownership" means the greater of the percentage stock ownership interest in HoldCo or Utility of any Person for purposes of Section 382 of the Tax Code as determined in accordance with Treasury Regulation Sections 1.382-2T(g), (h), (j) and (k) and 1.382-4 (*i.e.*, the constructive ownership and attribution rules of the regulations); provided, that (1) if any Person is a member of an Acquiring Group, such Person's Percentage Stock Ownership in HoldCo shall take into account any ownership of additional shares of stock treated as issued by HoldCo under Treasury Regulations section 1.1502-92 as a result of the Acquiring Group's planned or actual acquisition of Company Group Securities (applying such sections with reference to HoldCo as the common parent, including under supplemental rules for determining an ownership change and treating HoldCo as having "actual knowledge" of all plans and acquisitions of Company Group Securities for purposes of applying Treasury Regulations Section 1.1502-92(c)(2)(iii)), (2) for purposes of applying Treasury Regulation Section 1.382-2T(k)(2), Utility shall be treated as having "actual knowledge" of the beneficial ownership of all outstanding Company Group Securities that would be attributed to any individual or entity, and (3) for the sole purpose of determining the Percentage Stock Ownership of any Person that is an entity (and not for the purpose of determining the Percentage Stock Ownership of any other Person), the Company Group Securities held by such Person shall not be treated as no longer owned by such Person pursuant to Treasury Regulation Section 1.382-2T(h)(2)(i)(A).

"Person" means any individual, partnership, joint venture, limited liability company, firm, corporation, unincorporated association or organization, trust or other entity, provided, that, for all purposes of this **Article EIGHTH**, any group of such "Persons" having a formal or informal understanding among themselves to make a "coordinated acquisition" of shares within the meaning of Treasury Regulation Section 1.382-3(a)(1) or who are otherwise treated as an "entity" within the meaning of Treasury Regulation Section 1.382-3(a)(1) shall be treated as an "entity," and references to any entity shall include any successor (by merger or otherwise) of any such entity.

"<u>Prohibited Distributions</u>" means any dividends or other distributions that were received by the Purported Transferee from Utility with respect to the Excess Securities received by a Purported Transferee.

"<u>Prohibited Transfer</u>" means any purported Transfer of Utility Securities to the extent that such Transfer is prohibited and/or void under this **Article EIGHTH**.

"<u>Restriction Release Date</u>" means the earliest of:

(i) the repeal, amendment or modification of section 382 of the Tax Code (and any comparable successor provisions) in such a way as to render the restrictions imposed by section 382 of the Tax Code no longer applicable to Utility;

(ii) the beginning of a taxable year of the Company Group (or any successor thereof) in which the Board determined that no Tax Benefits are available;

(iii) the date selected by the Board if the Board determines that the limitation amount imposed by Section 382 of the Tax Code as of such date in the event of an "ownership change" of Utility (as defined in Section 382 of the Tax Code and Treasury Regulation sections 1.1502-91 *et seq.*) would not be materially less than the net operating loss carryforwards or "net unrealized built-in loss" (within the meaning of Section 382 of the Tax Code and Treasury Regulation Sections 1.1502-91 *et seq.*) of Utility; and

(iv) the date selected by the Board if the Board determines that it is in the best interests of Utility's shareholders for the restrictions set forth in section (b) of this **Article EIGHTH** to be removed or released.

"<u>Substantial Shareholder</u>" means a Person with a Percentage Stock Ownership of 4.75% or more.

"<u>Tax Benefit</u>" means any net operating loss carryovers, capital loss carryovers, excess interest deduction carryovers, general business credit carryovers, alternative minimum tax credit carryovers and foreign tax credit carryovers, as well as any loss or deduction attributable to a "net unrealized built-in loss" within the meaning of Section 382 of the Tax Code, of the Company Group or any member thereof.

"<u>Tax Code</u>" means the Internal Revenue Code of 1986, as amended from time to time.

"<u>Transfer</u>" means the acquisition, directly or indirectly, of ownership of Utility Securities by any means – including, without limitation, (i) the creation or grant of any pledge (or other security interest), right or option with respect to Utility Securities, including an option within the meaning of Treasury Regulation Section 1.382-4(d)(9), (ii) the exercise of any such pledge, right or option, or (iii) any other transaction treated under the applicable rules under Section 382 of the Tax Code as a direct or indirect acquisition (including the acquisition of an ownership interest in a Substantial Shareholder), <u>provided</u>, that "Transfer" shall not include any such acquisition unless, as a result, there would be an increase in any Person's Percentage Stock Ownership.

"Utility" means Pacific Gas and Electric Company.

"Utility Preferred Stock" means preferred stock issued by Utility (other than preferred stock described in Section 1504(a)(4) of the Tax Code).

"Utility Securities" means (i) shares of common stock issued by Utility, (ii) shares of Utility Preferred Stock, and (iii) any other interest designated as "stock" of Utility by the Board, as disclosed in an SEC filing by Utility.

(b) Prohibited Transfers. Any attempted Transfer of Utility Securities prior to the Restriction Release Date, or any attempted Transfer of Utility Securities pursuant to an agreement entered into prior to the Restriction Release Date, shall be prohibited and void *ab initio* insofar as it purports to transfer ownership or rights in respect of such Utility Securities to the purported transferee of a Prohibited Transfer (a "Purported Transferee") to the extent that, as a result of such Transfer (or any series of Transfers of which such Transfer is a part), either (1) any Person shall become a Substantial Shareholder other than by reason of Treasury Regulation Section 1.382-2T(j)(3) or any successor to such regulation or (2) the Percentage Stock Ownership interest of any Substantial Shareholder shall be increased. Nothing in this **Article EIGHTH** shall preclude the settlement of any transaction with respect to Utility Securities entered into through the facilities of a national securities exchange; provided, however, that such a transaction shall still constitute a Prohibited Transfer and the Utility Securities and parties involved in such transaction shall remain subject to the provisions of this **Article EIGHTH** in respect of such transaction. In the event that there is an attempted concurrent Transfer of both HoldCo Securities and Utility Securities that would be a Prohibited Transfer hereunder and under the HoldCo Charter (as determined without regard to this sentence), the Prohibited Transfer provisions hereunder shall be applied first rendering such attempted Transfer of the Utility Securities null and void to the extent necessary.

(c) Exceptions; Authorized Transfers.

(i) The restrictions set forth in section (b) of this **Article EIGHTH** shall not apply to an attempted Transfer (1) if the transferor or the transferee obtains the prior written approval of the Board or a duly authorized committee thereof in accordance with section (c)(ii) of this **Article EIGHTH** below, or (2) if such Transfer is (A) made as part of certain transactions approved by the Board in accordance with section (c)(iii) of this **Article EIGHTH**, (B) to HoldCo or Utility, or (C) to a designee of the State of California in connection with a sale required by the Enhanced Regulatory Reporting and Enforcement Process (as set forth in Appendix A to the California Public Utilities Commission decision in I.19-09-016).

(ii) The restrictions contained in this **Article EIGHTH** are for the purposes of reducing the risk that any "ownership change" (as defined in Section 382 of the Tax Code) with respect to the Company Group may limit the Company Group's ability to utilize its Tax Benefits. In connection therewith, and to provide for effective policing of these provisions, any Person or Acquiring Group that desires to acquire Utility Securities in an otherwise Prohibited Transfer (a "Requesting Person") shall, prior to the date of such transaction for which the Requesting Person seeks authorization (the "Proposed Transaction"), request in writing (a "Request") that the Board review the Proposed Transaction and authorize or not authorize the Proposed Transaction in accordance with this section (c) of this **Article EIGHTH**. A Request shall be mailed or delivered to the Secretary of Utility at Utility's principal place of business. Such Request shall be deemed to have been received by Utility when actually received by Utility. A Request shall include: (1) the name, address and telephone number of the Requesting Person; (2) the Percentage Stock Ownership of HoldCo then beneficially owned by the Requesting Person (without regard to the ownership of any Company Group Securities other than HoldCo Securities), the then number and percentage (by class) of any Company Group Securities (other than HoldCo Securities) beneficially owned by the Requesting Person, and the then number and percentage (by class) of any Company Group Securities beneficially owned by any Acquiring Group of which the Requesting Person is a member (and the names and relationships of the Persons within the Acquiring Group); (3) a reasonably detailed description of the Proposed Transaction or Proposed Transactions for which the Requesting Person seeks authorization; and (4) a request that the Board authorize the Proposed Transaction pursuant to this section (c) of this **Article EIGHTH**. The Board shall respond to each Request within 20 business days of receiving such Request, and the failure of the Board to respond during such 20 business day period shall be deemed to be a consent to the Transfer; provided, that, the Board may respond by requesting additional information, indicating it requires additional time to consider the Request or in another reasonable manner. The Board shall authorize a Proposed Transaction unless the Board determines in good faith that the Proposed Transaction, considered alone or with other transactions (including, without limitation, past, concurrent, contemplated or anticipated transactions (whether by Utility or HoldCo, or by another Person pursuant to a Request or otherwise, whether or not the transaction was a Prohibited Transfer), and transactions involving Company Group Securities (including issuances and redemptions) not currently contemplated but which, in the business judgment of the Board, Utility or HoldCo should retain the flexibility to pursue) would create a material risk that the Tax Benefits may be jeopardized as a result of the application of Sections 382 and 383 of the Tax Code, allowing for a reasonable margin of safety; provided, that if multiple Requests are submitted to the Board at approximately the same time and all such Requests would not be approved pursuant to this sentence, the Board may determine any reasonable method to apply the provisions of this sentence to such Requests. Any determination by the Board not to authorize a Proposed Transaction shall cause such Proposed Transaction to continue to be treated as a Prohibited Transfer. The Board may impose any conditions that it deems reasonable and appropriate in connection with authorizing any Proposed Transaction, including requiring an affidavit or representations from such Requesting Person or opinions of counsel to be rendered by counsel selected by the Requesting Person (and reasonably acceptable to the Board), in each case, as to such matters as the Board may reasonably determine with respect to the preservation of the Tax Benefits. Any Requesting Person who makes a Request to the Board shall reimburse Utility, within 30 days of demand therefor, for all reasonable out-of-pocket costs and expenses incurred by Utility with respect to any Proposed Transaction, including, without limitation, Utility's reasonable costs and expenses incurred in determining whether to authorize the Proposed Transaction, which costs may include, but are not limited to, any expenses of counsel and/or tax advisors engaged by the Board to advise the Board or deliver an opinion thereto. The Board may require, as a condition to its consideration of the Request, that the Requesting Person execute an agreement in form and substance satisfactory to Utility providing for the reimbursement of such costs and expenses. Any authorization of the Board hereunder may be given prospectively or retroactively.

(iii) The Board may determine that the restrictions set forth in section (b) of this **Article EIGHTH** shall not apply to any particular transaction or transactions, whether or not a request has been made to the Board, including a Request pursuant to this section (c) of this **Article EIGHTH**, subject to any conditions that it deems reasonable and appropriate in connection therewith. Any determination of the Board hereunder may be made prospectively or retroactively.

(iv) The Board or any committee of the Board, to the fullest extent permitted by law, may exercise the authority granted by this **Article EIGHTH** through duly authorized officers or agents of Utility. Nothing in this section (c) of this **Article EIGHTH** shall be construed to limit or restrict the Board in the exercise of its fiduciary duties under applicable law.

(d) Legend; Notation. The Board may require that any certificates representing shares of Utility Securities issued prior to the Restriction Release Date shall contain a conspicuous legend in substantially the following form, evidencing the restrictions set forth in this **Article EIGHTH**:

> "THE AMENDED AND RESTATED ARTICLES OF INCORPORATION OF THE UTILITY, AS THE SAME MAY BE AMENDED AND RESTATED FROM TIME TO TIME (THE "ARTICLES OF INCORPORATION"), CONTAIN CERTAIN RESTRICTIONS PROHIBITING THE TRANSFER (AS DEFINED IN THE ARTICLES OF INCORPORATION) OF UTILITY SECURITIES (AS DEFINED IN THE ARTICLES OF INCORPORATION) WITHOUT PRIOR AUTHORIZATION IN ACCORDANCE WITH THE ARTICLES OF INCORPORATION IF SUCH TRANSFER MAY AFFECT THE PERCENTAGE OF STOCK OF UTILITY (WITHIN THE MEANING OF SECTION 382 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED FROM TIME TO TIME AND THE TREASURY REGULATIONS PROMULGATED THEREUNDER) THAT IS TREATED AS OWNED BY A "SUBSTANTIAL SHAREHOLDER" AS DEFINED IN THE ARTICLES OF INCORPORATION. A COMPLETE AND CORRECT COPY OF THE ARTICLES OF INCORPORATION SHALL BE FURNISHED FREE OF CHARGE TO THE HOLDER OF RECORD OF THIS CERTIFICATE UPON WRITTEN REQUEST TO THE SECRETARY OF THE UTILITY."

Utility shall have the power to make appropriate notations upon its stock transfer records and to instruct any transfer agent, registrar, securities intermediary or depository with respect to the requirements of this **Article EIGHTH** for any uncertificated Utility Securities or Utility Securities held in an indirect holding system, and Utility shall provide notice of the restrictions on transfer and ownership to holders of uncertificated shares in accordance with applicable law.

(e) Treatment of Excess Securities.

(i) No officer, employee or agent of Utility shall record any Prohibited Transfer, and the Purported Transferee shall not be recognized as a shareholder of Utility for any purpose whatsoever in respect of the Excess Securities. Until the Excess Securities are acquired by another Person in a Transfer that is not a Prohibited Transfer, the Purported Transferee shall not be entitled with respect to such Excess Securities to any rights of shareholders of Utility, including, without limitation, the right to vote such Excess Securities and to receive dividends or distributions, whether liquidating or otherwise, in respect thereof, if any. Once the Excess Securities have been acquired in a Transfer that is not a Prohibited Transfer, Utility Securities shall cease to be Excess Securities. For this purpose, any transfer of Excess Securities not in accordance with the provisions of this section (e) of this **Article EIGHTH** shall also be a Prohibited Transfer.

(ii) If the Board determines that a Transfer of Utility Securities constitutes a Prohibited Transfer pursuant to section (b) of this **Article EIGHTH**, then, upon written demand by Utility, the Purported Transferee shall transfer or cause to be transferred any certificate or other evidence of ownership of the Excess Securities within the Purported Transferee's possession or control, together with any Prohibited Distributions, to the Agent. The Agent shall thereupon sell to a buyer or buyers, which may include Utility, the Excess Securities transferred to it in one or more arm's-length transactions (over the NASDAQ or another national securities exchange on which Utility Securities may be traded, if possible, or otherwise privately); provided, however, that the Agent shall use reasonable efforts to effect such sale or sales in an orderly fashion and shall not be required to effect any such sale within any specific time frame if, in the Agent's discretion, such sale or sales would disrupt the market for Utility Securities or otherwise would adversely affect the value of Utility Securities. If the Purported Transferee has resold the Excess Securities before receiving Utility's demand to surrender Excess Securities to the Agent, the Purported Transferee shall be deemed to have sold the Excess Securities for the Agent, and shall be required to transfer to the Agent any Prohibited Distributions and proceeds of such sale, except to the extent that Utility grants written permission to the Purported Transferee to retain all or a portion of such sales proceeds to the extent not exceeding the amount that the Purported Transferee would have received from the Agent pursuant to section (e)(iii) of this **Article EIGHTH** if the Agent rather than the Purported Transferee had resold the Excess Securities.

(iii) The Agent shall apply any proceeds or any other amounts received by it in accordance with section (e)(ii) of this **Article EIGHTH** as follows: (A) first, such amounts shall be paid to the Agent to the extent necessary to cover its reasonable costs and expenses incurred in connection with its duties hereunder; (B) second, any remaining amounts shall be paid to the Purported Transferee, up to the amount paid by the Purported Transferee for the Excess Securities (or in the case of any Prohibited Transfer by gift, devise or inheritance or any other Prohibited Transfer without consideration, the fair market value, (1) calculated on the basis of the closing market price for Utility Securities on the day before the Prohibited Transfer, (2) if Utility Securities are not listed or admitted to trading on any stock exchange but are traded in the over-the-counter market, calculated based upon the difference between the highest bid and lowest asked prices, as such prices are reported by the relevant inter-dealer quotation service or any successor system on the day before the Prohibited Transfer or, if none, on the last preceding day for which such quotations exist, or (3) if Utility Securities are neither listed nor admitted to trading on any stock exchange nor traded in the over-the-counter market, then as determined in good faith by the Board), which amount (or fair market value) shall be determined at the discretion of the Board; and (C) third, any remaining amounts, subject to the limitations imposed by the following proviso, shall be paid to one or more organizations qualifying under Section 501(c)(3) of the Tax Code (or any comparable successor provision) selected by the Board; provided, however, that if the Excess Securities (including any Excess Securities arising from a previous Prohibited Transfer not sold by the Agent in a prior sale or sales) represent a 4.75% or greater Percentage Stock Ownership, then any such remaining amounts to the extent attributable to the disposition of the portion of such Excess Securities exceeding a 4.75% Percentage Stock Ownership interest shall be paid to two or more organizations qualifying under Section 501(c)(3) of the Tax Code selected by the Board, such that no organization qualifying under Section 501(c)(3) of the Tax Code shall be deemed to possess a Percentage Stock Ownership in excess of 4.75%. The recourse of any Purported Transferee in respect of any Prohibited Transfer shall be limited to the amount payable to the Purported Transferee pursuant to clause (B) of the preceding sentence. In no event shall the proceeds of any sale of Excess Securities pursuant to this section (e) of this **Article EIGHTH** inure to the benefit of Utility.

(iv) In the event of any Transfer that does not involve a transfer of Utility Securities within the meaning of the laws of the State of California, but that would cause a Substantial Shareholder to violate any restriction on Transfer provided for in section (b) of this **Article EIGHTH**, the application of sections (e)(ii) and (e)(iii) of this **Article EIGHTH** shall be modified as described in this section (e)(iv) of this **Article EIGHTH**. In such case, no such Substantial Shareholder shall be required to dispose of any interest that is not a Utility Security, but such Substantial Shareholder and/or any Person or Acquiring Group whose ownership of Utility Securities is attributed to or taken into account with respect to such Substantial Shareholder shall, in the case of section (e)(ii) of this **Article EIGHTH**, be deemed to have disposed of and shall be required to dispose of sufficient Utility Securities (which Utility Securities shall be disposed of in the inverse order in which they were acquired) to cause such Substantial Shareholder, following such disposition, not to be in violation of this **Article EIGHTH**. Such disposition or process shall be deemed to occur simultaneously with the Transfer giving rise to the application of this provision, and such number of Utility Securities that are deemed to be disposed of shall be considered Excess Securities and shall be disposed of through the Agent as provided in sections (e)(ii) and (e)(iii) of this **Article EIGHTH**, except that the maximum aggregate amount payable either to such Substantial Shareholder, or to such other Person or Acquiring Group that was the direct holder of such Excess Securities, in connection with such sale shall be the fair market value of such Excess Securities at the time of the purported Transfer. All such reasonable expenses incurred by the Agent in disposing of such Excess Securities shall be paid out of any amounts due such Substantial Shareholder or such other Person or Acquiring Group. The purpose of this section (e)(iv) of this **Article EIGHTH** is to extend the restrictions in sections (b) and (e)(ii) of this **Article EIGHTH** to situations in which there is a Prohibited Transfer without a direct Transfer of Securities, and this section (e)(iv) of this **Article EIGHTH**, along with the other provisions of this **Article EIGHTH**, shall be interpreted to produce the same results, with differences as the context requires, as a direct Transfer of Utility Securities.

(v) If the Purported Transferee fails to surrender the Excess Securities or the proceeds of a sale thereof to the Agent within 30 days from the date on which Utility makes a written demand pursuant to section (e)(ii) of this **Article EIGHTH**, then Utility shall use its best efforts to enforce the provisions hereof, including the institution of legal proceedings to compel the surrender. Nothing in this section (e)(v) of this **Article EIGHTH** shall (A) be deemed to be inconsistent with any Transfer of the Excess Securities provided in this **Article EIGHTH** to be void *ab initio*, or (B) preclude Utility in its discretion from immediately instituting legal proceedings without a prior demand. The Board or a committee thereof may authorize such additional actions as it deems advisable to give effect to the provisions of this **Article EIGHTH.**

(vi) Utility shall make the written demand described in section (e)(ii) of this **Article EIGHTH** within 30 days of the date on which the Board determines that the attempted Transfer would result in Excess Securities; provided, however, that, if Utility makes such demand at a later date, the provisions of this **Article EIGHTH** shall apply nonetheless. No failure by Utility to act within the time periods set forth in section (e) of this **Article EIGHTH** shall constitute a waiver or loss of any right of Utility under this **Article EIGHTH.**

(f) Obligation to Provide Information. Any Person that is a beneficial, legal or record holder of Utility Securities or a member of an Acquiring Group, and any proposed transferor or transferee and any Person controlling, controlled by or under common control with the proposed transferor or transferee, shall as and to the extent reasonably requested in writing by Utility, use commercially reasonable efforts promptly to provide such information Utility may request as may be necessary from time to time in order to determine compliance with this **Article EIGHTH** or the status of the Tax Benefits. For the avoidance of doubt, notwithstanding anything to the contrary in this section (f) of this **ARTICLE EIGHTH**, in no event will any Person have any obligation to provide any such information that such Person determines, in its reasonable judgment, it is legally or contractually prohibited from disclosing; provided, that the Board may decline to authorize a Proposed Transaction, notwithstanding any provision of section (c)(ii) of this **ARTICLE EIGHTH** to the contrary, if any Requesting Person does not provide any information reasonably requested by Utility.

(g) Board Authority.

(i) The Board or any committee thereof shall have the power to interpret or determine in its sole discretion all matters necessary for assessing compliance with this **Article EIGHTH**, including, without limitation, (i) the identification of Substantial Shareholders or Acquiring Groups, (ii) whether a Transfer is a Prohibited Transfer, (iii) whether to exempt a Transfer from the restrictions of section (b) of this **Article EIGHTH**, (iv) the Percentage Stock Ownership of any Substantial Shareholder, (v) whether an instrument constitutes a Utility Security or a Company Group Security, (vi) the amount (or fair market value) due to a Purported Transferee pursuant to clause (B) of section (e)(iii) of this **Article EIGHTH**, and (vii) any other matters which the Board or such committee determines to be relevant; and the good faith determination of the Board or such committee on such matters shall be conclusive and binding for all the purposes of this **Article EIGHTH.**

(ii) In addition, the Board or any committee thereof may, to the extent permitted by law, from time to time establish, modify, amend or rescind bylaws, regulations and procedures of Utility not inconsistent with the provisions of this **Article EIGHTH** for purposes of determining whether any Transfer of Utility Securities would jeopardize the Company

Group's ability to preserve and use the Tax Benefits and for the application, administration and implementation of this **Article EIGHTH.**

(iii) Nothing contained in this **Article EIGHTH** shall limit the authority of the Board or a committee thereof to take such other action to the extent permitted by law as it deems necessary or advisable to protect the Company Group and Utility's shareholders in preserving the Tax Benefits, including the implementation of restrictions on dispositions or sales of Utility Securities that result in a decrease of a Substantial Shareholder's Percentage Stock Ownership. Without limiting the generality of the foregoing, in the event of a change in law making one or more of the following actions necessary or desirable, the Board or any committee thereof may, by adopting a written resolution, (A) modify the ownership interest percentage in Utility or the Persons covered by this **Article EIGHTH,** (B) modify the definitions of any terms set forth in this **Article EIGHTH** or (C) modify the terms of this **Article EIGHTH** as appropriate, in each case, in order to prevent an ownership change for purposes of Section 382 of the Tax Code as a result of any changes in applicable Treasury Regulations or otherwise; provided, however, that the Board or committee shall not cause there to be such modification unless it determines, by adopting a written resolution, that such action is reasonably necessary or advisable to preserve the Tax Benefits or that the continuation of these restrictions is no longer reasonably necessary for the preservation of the Tax Benefits. Shareholders of Utility shall be notified of such determination through a filing with the SEC or such other method of notice as Utility deems appropriate.

(iv) In the case of an ambiguity in the application of any of the provisions of this **Article EIGHTH,** including any definition used herein, the Board shall have the power to determine the application of such provisions. In the event this **Article EIGHTH** requires an action by the Board but fails to provide specific guidance with respect to such action, the Board or any committee thereof shall have the power to determine the action to be taken. All such actions, calculations, interpretations and determinations that are done or made by the Board in good faith shall be conclusive and binding on Utility, the Agent and all other parties for all other purposes of this **Article EIGHTH.** The Board may delegate all or any portion of its duties and powers under this **Article EIGHTH** to a committee of the Board as it deems necessary or advisable, and the Board and such committee may exercise the authority granted by this **Article EIGHTH** through duly authorized officers or agents of Utility. Nothing in this **Article EIGHTH** shall be construed to limit or restrict the Board in the exercise of its fiduciary duties under applicable law.

(h) Reliance. To the fullest extent permitted by law, Utility and the members of the Board or any committee thereof shall be fully protected in relying in good faith upon the information, opinions, reports or statements of the chief executive officer, the chief financial officer, the chief accounting officer, the Secretary or the corporate controller of Utility or of Utility's legal counsel, independent auditors, transfer agent, investment bankers or other employees and agents in making the determinations and findings contemplated by this **Article EIGHTH,** and the members of the Board shall not be responsible for any good faith errors made in connection therewith. For purposes of determining the existence and identity of, and the amount of any Utility Securities owned by any shareholder, Utility is entitled to rely on the existence and absence of filings of Schedule 13D, 13F or 13G under the Securities Exchange Act of 1934, or similar statements, reports or other filings, as of any date, subject to its actual knowledge of the ownership of Utility Securities.

(i) Benefits of this Article EIGHTH. Nothing in this **Article EIGHTH** shall be construed to give to any Person other than Utility, the Agent and members of the Board and any committee thereof any legal or equitable right, remedy or claim under this **Article EIGHTH**. This **Article EIGHTH** shall be for the sole and exclusive benefit of Utility, the Agent and members of the Board and any such committee thereof.

(j) Severability. The purpose of this **Article EIGHTH** is to facilitate the Company Group's ability to maintain or preserve its Tax Benefits. If any provision of this **Article EIGHTH** or the application of any such provision to any Person or under any circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this **Article EIGHTH**.

(k) Waiver. With regard to any power, remedy or right provided herein or otherwise available to Utility or the Agent under this **Article EIGHTH**, (i) no waiver will be effective unless expressly contained in a writing signed by the waiving party, and (ii) no alteration, modification or impairment will be implied by reason of any previous waiver, extension of time, delay or omission in exercise, or other indulgence.

3. In accordance with Section 1401 of the California Corporations Code, provision for making the foregoing amendment and restatement of the Articles of Incorporation of the Corporation is contained in the order confirming the Plan, entered on June 20, 2020 by the United States Bankruptcy Court for the Northern District of California Case No. 19-30088, the Hon. Dennis Montali judge presiding [Bankruptcy Docket No. 8053], having jurisdiction over a proceeding for the reorganization of the Corporation in the matter of In re: PG&E Corporation and Pacific Gas and Electric Company.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: June 20, 2020

A0840999

ANDREW M. VESEY
Chief Executive Officer and President

BRIAN M. WONG
Vice President, Deputy General Counsel and
Corporate Secretary

Signature Page to Pacific Gas and Electric Company
Amended and Restated Articles of Incorporation