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

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

INVESTIGATION 15-08-019

(NOT CONSOLIDATED)

Order Instituting Investigation on the Commission's Own Motion to Consider the Ratemaking and Other Implications of a Proposed Plan for Resolution of Voluntary Cases 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.

INVESTIGATION 19-09-016

**OPENING COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
ON ADMINISTRATIVE LAW JUDGE'S RULING ON CASE STATUS**

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Pacific Gas and Electric Company (the Utility, and together with PG&E Corporation, PG&E) appreciates the opportunity to comment on the role of Investigation (I.) 15-08-019 (“Safety Culture OII”) going forward in light of the significant structural, oversight, and governance reforms the Commission has put in place in recent years to improve safety, as well as the many separate proceedings now dedicated to the development of specific safety initiatives. As the Administrative Law Judge’s Ruling on Case Status (“ALJ Ruling”) observed, the Commission’s efforts in the context of Investigation (I.) 19-09-016 regarding PG&E’s Plan of Reorganization (“POR OII”) drove many safety improvements which have effectively superseded or rendered moot proposals which were originally teed up in the Safety Culture OII.¹ Given the ongoing, focused efforts in other proceedings designed to address large-scale safety reforms, PG&E supports Option 5 from the ALJ Ruling: Close the Safety Culture OII, recognizing the “Commission could open additional new proceedings in the future to address the same or related issues as presented in I.15-08-019,” and “NorthStar may continue in a monitoring role.”² Now that the Commission has approved PG&E’s Plan of Reorganization, enabling PG&E’s emergence from bankruptcy, the POR OII should be closed as well.

I. INTRODUCTION

Since the inception of the Safety Culture OII in 2015, the Commission has “require[d] PG&E to modify its governance structure and to establish local operating regions, as well as establish[ed] an enhanced oversight and enforcement process that will escalate consequences

¹ July 15, 2020 Administrative Law Judge’s Ruling on Case Status (ALJ Ruling) at 2, 7-8.

² *Id.* at 8-9.

faced by PG&E if it fails to improve its safety performance.”³ As observed by President Batjer, the Commission has “put the guideposts in place, but PG&E needs to own its own transformation”—and PG&E embraces its responsibility in doing so.

Recognizing the need for fundamental transformation, PG&E is implementing significant governance and structural reforms. Many of these changes took place after the issuance of the December 2018 Scoping Memo in the Safety Culture OII, in part owing to the active role the Commission took in shaping PG&E’s governance and safety-focused initiatives in determining whether PG&E should exit Chapter 11 bankruptcy under its proposed Plan of Reorganization. Among the many issues addressed by the Commission through the POR OII was whether, consistent with the California legislature’s direction in Assembly Bill (AB) 1054, PG&E’s Plan of Reorganization and resulting governance structure were acceptable in light of “how the plan and proposed governance structure will affect public safety on a going forward basis, both short term and long term.”⁴ In issuing its final decision approving PG&E’s Plan of Reorganization, the Commission spurred on sweeping changes to PG&E’s “governance structure [which] are intended to improve PG&E’s safety performance.”⁵

PG&E has already implemented many of these changes, such as appointing new Chief Safety and Chief Risk Officers focused on public safety and enterprise risks; forming an Independent Safety Oversight Committee (“ISOC”) to provide independent review of PG&E’s

³ CPUC Press Release, *CPUC Approves PG&E’s Reorganization Plan, Requiring Governance and Oversight Changes* (May 28, 2020).

⁴ D.20-05-053 at 15.

⁵ *Id.* at 16.

operations; and populating its Boards with directors boasting safety expertise. Other significant initiatives will be developed in separate, dedicated proceedings. For instance, consistent with the Commission’s direction, on June 30 PG&E filed its application for approval of a regional restructuring.⁶ As the Commission observed, “[r]egional restructuring of PG&E has the potential to improve safety and responsiveness to local communities,”⁷ and will require dedicated efforts by PG&E and other parties to develop and implement. In another proceeding, parallel to the development of the regionalization plan, the Commission and the parties will develop “attainable Safety and Operational Metrics that, if achieved, would ensure that PG&E provides safe, reliable and affordable service consistent with California’s clean energy goals.”⁸ The Commission has also directed that, when the term of the court-appointed Federal Monitor ends, a functionally equivalent Independent Safety Monitor will be appointed.⁹ The details concerning the Independent Safety Monitor’s selection, scope of duties, reporting requirements and other implementation issues have yet to be determined, and PG&E will be submitting an advice letter to the Commission on these points at least one year before the expiration of the Federal Monitor’s term.¹⁰

⁶ Application of Pacific Gas and Electric Company (U 30 M) For Approval of Regionalization Proposal (A.20-06-011, June 30, 2020).

⁷ D.20-05-053 at 119.

⁸ D.20-05-053 at 42. The Commission has stated that it “will initiate a new proceeding or a track within an existing proceeding to establish the Safety and Operational Metrics with the input of [the] parties.” D.20-05-053 at 46-47. The Order Instituting Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities (R.20-07-013), the scope of which has not yet been conclusively defined, may be an appropriate venue for the Commission and the parties to develop and adopt Safety and Operational Metrics.

⁹ D.20-05-053 at 23.

¹⁰ *Id.*

PG&E agrees with the Commission that practicality and prudence caution against pushing forward with additional initiatives that “would be disruptive of the course of action that the Commission has set forth in D.20-05-053.”¹¹ In the coming months, PG&E’s efforts, and those of the Commission and other parties, should focus on implementation of the significant measures to improve safety which were adopted by the Commission in D.20-05-053, including efforts that will be channeled through separate proceedings. Moreover, many of the issues identified in the 2018 Scoping Memo in the Safety Culture OII have effectively been resolved, rendered moot, or would be at cross purposes with current initiatives if pursued at this juncture.

There are two remaining issues which will entail ongoing efforts but are not subject to separate designated proceedings: PG&E’s reporting on progress in implementing safety-related initiatives (such as those recommended by NorthStar), and PG&E’s completing asset sales to improve its financial position. PG&E is a proponent of both actions, but neither require or warrant keeping open the Safety Culture OII. PG&E proposes that the Commission’s order concluding the Safety Culture OII direct PG&E to serve these goals through other methods. With respect to reporting updates, PG&E proposes that a Tier 2 Advice Letter be used as a vehicle for quarterly reporting regarding implementation of recommendations by independent oversight bodies, progress on initiatives adopted in the POR OII, and other Commission requirements. Commission staff should be authorized to recommend changes to the content, form, and frequency of reporting as relevant to the issues being addressed. As for asset sales, PG&E is keen to dispose of assets that are neither necessary or useful to the service of its

¹¹ July 15, 2020 ALJ Ruling at 8.

customers and sale of such surplus properties do not require specific authorization of the Commission under Public Utilities Code § 851. In light of this, a streamlined procedure for PG&E to notify the Commission quarterly of the details of the sales of surplus assets and the allocation of gains or losses according to the percentage allocation rule would enable PG&E to expeditiously market and sell these properties. The Commission can integrate such guidance into an order adopting Option 5 from the ALJ Ruling which closes both the Safety Culture OII and the POR OII, and recognizes that the “Commission could open additional new proceedings in the future to address the same or related issues as presented in I.15-08-019,” and “NorthStar may continue in a monitoring role.”¹²

II. PG&E HAS EMBRACED SIGNIFICANT CHANGES TO IMPROVE SAFETY PERFORMANCE SINCE COMMENCEMENT OF THE SAFETY CULTURE OII.

As part of its Plan of Reorganization, PG&E made a series of commitments, some of which are already underway, regarding its governance, operations, and financial structure—all designed to prioritize safety. PG&E made these commitments with the guidance of the Commission, which ultimately determined in issuing D.20-05-053 that “PG&E’s reorganization plan and other documents resolving the insolvency proceeding, including PG&E’s resulting governance structure, are acceptable in light of PG&E’s safety history,” as well as “other factors deemed relevant by the Commission.”¹³

¹² *Id.* at 8-9.

¹³ D.20-05-053 at 118, Findings of Fact ¶¶ 1, 4.

(a) **Compliance With AB 1054’s Requirements for a Safety Certification**

AB 1054, as codified in Public Utilities Code § 8389, provides that the Executive Director of the Commission shall issue an initial safety certification to an electrical utility if the utility provides documentation that it is meeting certain statutory requirements. PG&E received its initial safety certification in August 2019, and is poised to apply for its next annual safety certification in the coming days by documenting, among other things, that it has “an approved wildfire mitigation plan,”¹⁴ “is implementing its approved [W]ildfire [M]itigation [P]lan,”¹⁵ “is in good standing, which can be satisfied by . . . having agreed to implement the findings of its most recent safety culture assessment,”¹⁶ “has established a safety committee of its board of directors composed of members with relevant safety experience,”¹⁷ and “has established board-of-director-level reporting to the commission on safety issues.”¹⁸

(b) **Executive Compensation Structure that Emphasizes Safety**

Through the POR OII, PG&E committed to entirely revamp its executive compensation structure so as to heavily emphasize workforce and public safety. AB 1054 also imposes requirements on PG&E’s executive compensation structure in order to obtain its safety certification, including that it be “structured to promote safety as a priority and to ensure public safety and utility financial stability.”¹⁹

¹⁴ Pub. Util. Code § 8389(e)(1).

¹⁵ Id. § 8389(e)(7).

¹⁶ Id. § 8389(e)(2).

¹⁷ Id. § 8389(e)(3).

¹⁸ Id. § 8389(e)(5).

¹⁹ Id. § 8389(e)(4).

In D.20-05-053, the Commission directed PG&E to retain “a nationally recognized independent consultant to help ensure its executive compensation plans meet the requirements of AB 1054,”²⁰ and imposed additional requirements on its executive compensation structure. These additional requirements include mandates that PG&E’s executive compensation structure “[b]as[e] a significant component of long-term incentive compensation on safety performance, . . . as well as customer satisfaction, engagement, and welfare,”²¹ and “include provisions that allow for restrictions, limitations, and cancellations of severance payments in the event of any felony criminal conviction related to public health and safety or financial misconduct by the reorganized [Utility], for executive officers serving at the time of the underlying conduct that led to the conviction,” taking “into account [the Utility’s] need to attract and retain highly qualified executive officers.”²² With these requirements layered on to those of AB 1054, the Commission conditionally approved PG&E’s executive compensation structure, “subject to further proceedings before th[e] Commission” for “further refinement of [the] executive compensation plan.”²³ PG&E’s executive compensation structure, including the additional requirements imposed by the Commission, go into effect immediately upon the effective date of PG&E’s Plan of Reorganization.

²⁰ D.20-05-053 at 102.

²¹ *Id.* at 96; *see also id.* at 102 (adopting this requirement).

²² *Id.* at 97; *see also id.* at 102 (adopting this requirement).

²³ *Id.* at 100, 102.

(c) **Safety and Operational Metrics**

Through the POR OII, the Commission ordered the establishment of comprehensive “Safety and Operational Metrics that, if achieved, would ensure that PG&E provides safe, reliable and affordable service consistent with California’s clean energy goals.”²⁴ The development of these metrics is an important and complex undertaking that will require substantial time and effort for PG&E, the Commission, and other parties. While several parties in the POR OII advocated for consideration of metrics that took account of a broader swath of issues, such as equity and climate outcomes, the Commission recognized that it “will likely have a full plate just addressing the more narrowly focused safety and operational metrics teed up by the ACR Proposal.”²⁵ As cautioned by TURN in the POR OII, “the Commission should not under-estimate the challenge in choosing appropriate metrics.”²⁶ The Commission’s decision in the POR OII stated that it “will initiate a new proceeding or a track within an existing proceeding to establish the Safety and Operational Metrics with the input of the parties.”²⁷ PG&E is currently developing proposed Safety and Operational Metrics that are measurable and outcome oriented to be considered in such a proceeding. The Order Instituting Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities (R.20-07-013), the scope of which has not yet been conclusively defined, may be an appropriate venue for the Commission and the parties to develop and adopt Safety and Operational Metrics.

²⁴ D.20-05-053 at 42.

²⁵ D.20-05-053 at 46.

²⁶ TURN Opening Br. at 87.

²⁷ D.20-05-053 at 46-47.

(d) **Independent Safety Monitor**

In a future proceeding, the Commission will approve an Independent Safety Monitor who will report to the Commission and be functionally equivalent to the federal court monitor appointed in connection with PG&E's criminal probation. As directed in D.20-05-053, PG&E is developing a proposal for the Independent Safety Monitor that addresses the Monitor's proposed scope of work, reporting requirements, budget and cost recovery, and the process for solicitation and selection by the Commission; PG&E will submit its proposal by advice letter to the Commission at least a year before the term of the Federal Monitor expires.²⁸

(e) **Enhanced Oversight and Enforcement Process.**

In the POR OIL, the Commission adopted an Enhanced Oversight and Enforcement Process (Process) which is “designed to provide a clear roadmap for how the Commission will closely monitor PG&E's performance in delivering safe, reliable, affordable, clean energy,” and “includes enhanced reporting requirements and additional monitoring and oversight.”²⁹ The Enhanced Oversight and Enforcement Process crafted by the Commission details specific triggering events that would place PG&E at increasing levels of reporting, oversight, and corrective action plans. The process “sets up a methodical, step-by-step system”—moving from enhanced reporting in Step 1, to appointment of a Receiver and review of PG&E's Certificate of Public Convenience and Necessity (CPCN) in Steps 5 and 6—“that hopefully will never reach that point [of considering revocation of the CPCN], but if it does, it will be in a measured and

²⁸ D.20-05-053 at 24.

²⁹ D.20-05-053 at 57; Appendix A at 1.

carefully considered manner.”³⁰ PG&E must “report the occurrence of a triggering event to the Commission’s Executive Director no later than five business day[s] after the date on which any member of senior management of PG&E becomes aware of the occurrence of a triggering event.”³¹ The Commission received “thoughtful and detailed comments” from the parties with respect to its proposal concerning this additional oversight framework focused on PG&E’s safety performance, and noted that while the “Commission could institute a proceeding now or at any time to determine whether it should revoke PG&E’s CPCN,” evaluation of this “is a large and complex task, and is not one to be taken lightly or under a tight deadline.”³²

(f) **Safety Measures Adopted in PSPS Proceedings**

In December 2018, the Commission opened a rulemaking proceeding (R.18-12-005) to examine utilities’ PSPS processes and practices, and in May 2019 issued a decision adopting guidelines to reduce the need for de-energization, and to reduce the impacts when implemented (D.19-05-042). In November 2019, the Commission launched an investigation to determine whether utilities prioritized safety and complied with the Commission’s regulations and requirements in implementing PSPS events in late 2019 (I.19-11-013). In June 2020, the Commission issued additional requirements in preparation for the 2020 fire season, mandating that utilities “(a) develop and implement standardized, pre-approved system designs for interconnection of resiliency projects that deliver energy services during grid outages; (b) develop and implement methods to increase simplicity and transparency of the processes by

³⁰ *Id.*

³¹ D.20-05-053 at 57; Appendix A at 1.

³² D.20-05-053 at 70.

which the utilities inspect and approve a project; and (c) prioritize interconnection of resiliency projects for key locations, facilities, and/or customers.”³³

PG&E files bi-weekly reports in R.18-12-005 and I.19-11-013 which outline corrective actions that have been identified for improving future PSPS events and maps PG&E’s progress against each. As detailed in PG&E’s most recent bi-weekly report filed on July 27, 2020,³⁴ PG&E has made significant strides in implementing best practices. For instance, PG&E has successfully developed a new website in advance of the 2020 wildfire season to host PPS features that will scale to meet demand; engaged an independent consultant to review PG&E’s IT infrastructure and perform a formal risk assessment and document capabilities and caps for handling web traffic in advance of the 2020 wildfire season; collected and implemented feedback from county and tribal listening sessions; completed organizational and staffing changes to increase the number of public safety specialists available as county liaisons during the 2020 wildfire season; coordinated with major transportation providers to help identify critical locations, service points, and resiliency and redundant power solutions; and conducted case-study analyses of 2019 PPS events to identify risk-reduction measures for near-term implementation.³⁵ PG&E is also on target to meet dozens of other corrective actions laid out by the Commission, including steps to minimize the scope of future PPS events, such as the installation of transmission and distribution sectionalization devices, de-energizing facilities that

³³ D.20-06-017 at 1.

³⁴ Available at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M344/K068/344068475.PDF>

³⁵ July 27, 2020 Bi-Weekly Report of PG&E, R.18-12-005, I.19-11-013 at 13-81.

are scheduled for future removal, and implementing weather modeling with greater local granularity.³⁶

(g) **Governance Changes**

(i) **Appointments to New Chief Safety Officer and Chief Risk Officer Positions**

Consistent with the Commission’s direction in the POR OII, PG&E has made changes to the risk and safety leadership structure to further strengthen its enterprise-wide risk mitigation and operational safety capabilities. PG&E has enhanced its focus on safety by appointing a Chief Safety Officer—now a Senior Vice President-level position—with public safety expressly under his purview, and by tailoring the Chief Risk Officer position to risk management related to PG&E's operations and public safety. Previously, the duties of PG&E’s Chief Risk Officer and Vice President of Internal Audit included internal audit, Sarbanes-Oxley compliance, market and credit risk management, third party risk management, loss control and insurance. Going forward, those responsibilities will be handled by a dedicated Chief Audit Officer, allowing the Chief Risk Officer to concentrate on enterprise risk.

Francisco Benavides was appointed as the Chief Safety Officer effective March 9, and is responsible for developing PG&E’s workforce and public safety strategy, creating safety policies and standards across the enterprise, and defining the organizational structure needed to meet safety objectives. Mr. Benavides will also report on the achievement of those objectives, including through periodic reporting to the Commission. Mr. Benavides brings over 30 years of

³⁶ *Id.* at 82-86.

experience to PG&E and has held senior leadership positions over safety, health and environmental functions with global companies.

Sumeet Singh, who previously led PG&E's wildfire safety efforts through 2019 and held numerous leadership roles in Gas Operations as PG&E worked to overhaul and improve its gas system following the San Bruno pipeline explosion in 2010,³⁷ returned to PG&E as of August 1 to take on the revamped role of Chief Risk Officer. Mr. Singh's oversight over all risk management related to PG&E's operations and public safety includes evaluating risks associated with wildfires, nuclear, dams, natural gas and natural disasters, the Public Safety Power Shutoff (PSPS) program, as well as other strategic risks confronting utilities, including those relating to cyber-attacks and the pandemic. As with the Chief Safety Officer, as Chief Risk Officer Mr. Singh will periodically report to the Commission on risk assessment issues. Stephen Cairns, previously PG&E's Chief Risk Officer and Vice President of Internal Audit, will continue with the company as the Chief Audit Officer.

(ii) Replacement of PG&E's Boards to Enhance Safety Expertise

In 2019, PG&E updated its Board membership by adding independent directors who had substantial restructuring and financial expertise, as well as experience in regulatory policy, utility operations, public safety, and other matters. Only two incumbent directors remained. The new Boards included William Johnson, who assumed the role as PG&E Corporation CEO and President, and Andrew Vesey, who assumed the role as Utility CEO and President.

³⁷ Mr. Singh began his career at PG&E in 2000 as an engineer, and has also held various roles in the Gas Distribution and Transmission organizations.

On June 10, 2020, in connection with its expected emergence from bankruptcy, PG&E announced the selection of 11 new board members. This additional changeover of the Board is part of PG&E's efforts to further improve operations and safety, and better serve its customers. The 11 new Board members offer substantial expertise in key areas, including safety, utility operations and management, risk management, customer engagement, innovation and technology, regulatory affairs, audit and finance, corporate governance, nuclear operations and decommissioning, and human capital and executive compensation. Six of the 11 new directors are from California and have made their careers in the state, gaining extensive knowledge of the communities PG&E serves and the political, social, and physical environment in which the company operates. The Board members satisfy the specific safety-related expertise required by the Commission in D.20-05-053.

After accomplishing his mission of ushering PG&E through its Chapter 11 bankruptcy, on July 1 Mr. Johnson passed the reins to William Smith, PG&E Corporation's new interim CEO. As of August 1, Andrew Vesey stepped down as the CEO and President of the Utility. In his time with the company, Mr. Vesey had a significant impact on helping drive a renewed focus on workplace safety and leading PG&E's response to the impacts of COVID-19. Michael Lewis, who had served as the Utility's Senior Vice President of Electric Operations since late 2018, has been named interim President of the Utility. PG&E's ongoing search for permanent appointments to these positions emphasizes safety-related expertise.

(iii) **Expanded Oversight and Authority for the Safety and Nuclear Oversight Committee**

As directed by the Commission in D.20-05-053, the Safety and Nuclear Oversight (SNO) Committees of PG&E's Boards have been endowed with expanded authority, such that they now "have oversight over PG&E's Wildfire Mitigation Plan, Public Safety Power Shutoff (PSPS) program, compliance with the Safety and Operational Metrics in ACR Proposal 7 [adopted by the Commission in D.20-05-053], periodic reporting to the boards of directors and Commission staff, and PG&E's response to the recommendations of the Independent Safety Advisor" who will be appointed after the expiration of the Federal Monitor's term.³⁸ As the Commission directed, PG&E "consult[ed] with the State on the initial members of the reformed SNO Committees," *id.*, and all members are required to satisfy specific and substantial safety expertise requirements.

(h) **PG&E's Implementation of Critical Safety-Related Initiatives**

Improving data, metrics, and risk management is an important component of PG&E's efforts to strengthen its governance of safety culture and performance. PG&E's Enterprise and Operational Risk Management (EORM) program quantitatively and systematically identifies key risk drivers and facilitates the mitigation of risk across the enterprise, and is critical to effective, efficient management and reduction of the risks inherent in delivering gas and electric service to customers. Aligned with key input from the Commission and stakeholders, PG&E has made important changes to the EORM program, and PG&E plans to continue to make additional refinements, including implementing any future guidance from

³⁸ D.20-05-053 at 25.

the Commission and stakeholders through the SMAP and RAMP processes. Through application of the EORM framework and continual improvements to it, PG&E is set up to comprehensively identify risks that could lead to significant safety consequences, implement the actions that have the best potential and are most cost effective to reduce risk, and effectively and transparently monitor and report results. PG&E has also been developing its enterprise-wide Enterprise Safety Management System (ESMS), which it expects will be an impactful enabler of continual improvements in safety culture and performance by comprehensively addressing how the Utility manages the business of safety.

(i) **PG&E's Implementation of the Independent Safety Oversight Committee**

In 2019 PG&E formed the Independent Safety Oversight Committee (ISOC) to provide independent review and oversight of PG&E's operations, including safety and regulatory compliance, safety leadership, and operational performance. In December 2019, the ISOC undertook a data-driven and process-focused review of the wildfire safety in Electric Operations, with engagement from executives to individual field employees. The ISOC members conducted field visits, interviews, and observations, as well as reviews of documentation relating to safety performance. During the first quarter of 2020, PG&E appointed owners for each of the major areas for improvement identified by the ISOC in order to develop and execute a gap closure plan and liaise with the ISOC on the proposed plans. The ISOC team will review progress against that gap closure plan in subsequent meetings with PG&E, and is scaling such that every area of the business will be covered by a safety assurance function.

(j) **PG&E's Implementation of NorthStar's Recommendations**

The Commission's Safety and Enforcement Division ("SED") selected NorthStar Consulting Group ("NorthStar") to assist with performing an assessment of PG&E's safety culture beginning in April 2016. In May 2017, NorthStar issued a report setting forth its recommendations. PG&E agreed to implement all recommendations and proposed an implementation plans for each recommendation.³⁹ The Commission subsequently adopted the SED's recommendations, as set forth in the NorthStar report, and directed PG&E to implement them and serve quarterly reports on the status of its implementation.⁴⁰ NorthStar provided additional recommendations in March 2019, which PG&E similarly committed to implement, as stated in its initial safety certification application. On April 30, 2020 PG&E submitted its sixth Safety Culture and Governance Quarterly Report detailing the status of its implementation and ongoing execution of NorthStar's recommendations to the service list for the Safety Culture OII, as directed in D.18-11-050, and also outlining safety-specific training, education, and support given to the PG&E Boards, as directed in D.19-06-008.

(k) **Regional Restructuring**

As directed by the Commission in D.20-05-053, PG&E filed its application for regional restructuring on June 30, 2020.⁴¹ In that application PG&E has committed "to reorganize [its] operations into new regions to further improve safety and reliability and be more responsive to

³⁹ Pacific Gas and Electric Company Safety Culture and Governance OII Prepared Testimony (Jan. 8, 2018) at 2-1 ("PG&E agrees with all of the 61 recommendations directed at PG&E, commits to complete most recommendations by the end of 2018, and supports their adoption by the Commission.").

⁴⁰ See D.18-11-050 at 9 (Ordering Paragraphs 1 and 2).

⁴¹ D.20-05-053 at 121 (Ordering Paragraph 3); Application (A.) 20-06-011.

the needs of [its] customers”; PG&E looks forward to working with the Commission and parties to achieve those goals.⁴² Regional restructuring is a complex and significant undertaking that will require substantial time and effort for PG&E, the Commission, and other parties, as recognized by CLECA (“If done correctly, a regional restructuring plan will take time to develop and implement”),⁴³ TURN (“[R]estructuring is a complex effort that will likely take years to fully implement.”),⁴⁴ and others. In D.20-05-053, the Commission noted that it “wants to ensure that the regionalization is executed with care, and with attention to the structures that are put in place.”⁴⁵

The regionalization proceeding will address, among other things, “regional roles, responsibilities and resource allocation relative to the corporate structure; 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; how best practices will be shared between regions; costs and cost allocation of the plan; identification of services and gas and electric assets that will or will not be regionalized; how PG&E will evaluate the effectiveness of the plan; how regionalization will affect safety and PSPS impacts; and how PG&E will ensure robust communication with its customers in each region.”⁴⁶ As detailed in its application, “PG&E’s Regionalization Proposal includes the

⁴² A.20-06-011 at 1-2.

⁴³ CLECA Opening Br. at 13.

⁴⁴ TURN Opening Br. at 36 n.98.

⁴⁵ D.20-05-053 at 114.

⁴⁶ *Id.* at 55-56.

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.”⁴⁷ Specifically, Regional Vice Presidents will report to the CEO and be accountable for making measurable and sustainable improvements in “safety and reliability of [PG&E’s] regional operations” and “[r]educing risk by increased knowledge of local conditions and monitoring work to mitigate those risks throughout the assigned region,” among other things.⁴⁸ Regional Safety Directors will report to the Chief Safety Officer and support the Regional Vice Presidents by “[m]onitoring and improving safety performance across the assigned region,” “[l]eading implementation of best practices and providing independent oversight of safety practices at a regional level,” and “[l]eading groups of other safety professionals in their regions who will monitor performance, train others, and assist and crews in the best safety practices.”⁴⁹

III. THE COMMISSION SHOULD CLOSE THE SAFETY CULTURE OIL, ALLOWING THE COMMISSION TO FOCUS ITS EFFORTS IN MORE TAILORED PROCEEDINGS.

Through the proceedings outlined above, as well as the new Enhanced Oversight and Enforcement Process created by D.20-05-053, the Commission will be able to closely monitor PG&E’s progress and actions on the critical safety efforts being undertaken. Moreover, as surveyed below, the issues identified in the 2018 Scoping Memo for the Safety Culture OII have either (a) been effectively superseded or rendered moot by D.20-05-053 and other changes implemented by PG&E, or (b) would distract the parties from focusing their efforts on

⁴⁷ A.20-06-011 at 17.

⁴⁸ *Id.* at 5-6.

⁴⁹ *Id.*

developing and implementing significant safety-focused changes to be addressed in other proceedings.

A. Issues from the 2018 Scoping Memo Which Are Effectively Superseded, Rendered Moot, or Untimely.

1. *“Should PG&E form an independent nominating committee to identify and select candidates for the Board of Directors?”⁵⁰*

As PG&E has previously explained in its filings in the Safety Culture OII, and as the record in the POR OII makes clear, PG&E already has an independent Nominating and Governance Committee that oversees director nomination and selection for both the Utility and PG&E Corporation that fulfills this function.⁵¹

2. *“Should PG&E identify specific criteria for potential Board of Directors members? For example, should PG&E have one or more Board of Directors members be experts in organizational safety, gas safety, and/or electrical safety? If so, should the appointment of safety experts be made subject to Commission or Governor approval?”⁵²*

This proposal was addressed and resolved in the POR OII, where the Commission ordered that a director skills matrix include certain safety-related criteria, including “[s]pecific substantial expertise related to wildfire safety, wildfire prevention, and/or wildfire mitigation,” “the safe operation of a natural gas distribution company,” and “enterprise risk management, including cyber security, and/or experience with nuclear safety.”⁵³

⁵⁰ Assigned Commissioner’s Scoping Memo and Ruling (Dec. 21, 2018) at 10 (2018 Scoping Memo).

⁵¹ PG&E’s Opening Comments on Assigned Commissioner’s Scoping Memo and Ruling (February 13, 2019) at 11 (PG&E’s Opening Comments on ACR).

⁵² 2018 Scoping Memo at 10.

⁵³ D.20-05-053 at 34-36.

3. *“Should part or all of the existing Board of Directors resign and be replaced by directors with a stronger background and focus on safety?”*⁵⁴

This has been done—twice over—and proposals in this area were extensively addressed and resolved in the POR OII.

4. *“Should PG&E form an audit committee constituted of independent directors possessing financial and safety competence, as defined by the Commission, to evaluate the Board of Directors’ discharge of their duties and make recommendations for qualifications of future members of PG&E’s Board of Directors?”*⁵⁵

As PG&E has previously explained in its filings in the Safety Culture OII, and as the record in the POR OII makes clear, PG&E already has an Audit Committee comprised of independent directors tasked with overseeing and monitoring PG&E’s financial statements, financial and accounting practices, internal controls over financial reporting, legal and regulatory compliance, risk assessment guidelines and processes, and other matters.⁵⁶

5. *“Should PG&E and PG&E Corp. be subject to a utility-specific business judgment rule (BJR) to require the Board of Directors to account for safety beyond the current fiduciary duties? If so, should such a utility-specific business judgment rule apply to corporate officers as well?”*⁵⁷

The Commission’s decision in the POR OII also resulted in significant Board-level reforms with the goal of improving safety, and this specific proposal did not garner serious support in parties’ comments. Moreover, PG&E has pointed out numerous legal and practical

⁵⁴ 2018 Scoping Memo at 11.

⁵⁵ 2018 Scoping Memo at 10.

⁵⁶ PG&E’s Opening Comments on ACR, at 14.

⁵⁷ 2018 Scoping Memo at 9 (footnote omitted).

problems with altering the well-established and well-known business judgment rule, which is codified in California Corporations Code § 309 and not administered by the Commission.⁵⁸

6. *“Should PG&E file a public annual report of all Directors and Officers insurance policies obtained by PG&E and identify the risk PG&E identified to obtain the insurance? If PG&E amends its Directors and Officers insurance, should it notify the Commission of the risk identified and the terms of the amended policy?”*⁵⁹

This proposal did not garner serious support in parties’ comments, and PG&E pointed out numerous problems with public disclosure of such information which could further incentivize litigation.⁶⁰

7. *“Should PG&E retain new corporate management in all or in part?”*⁶¹

PG&E has made significant changes to both personnel in corporate management and the structure of corporate management.

8. *“Should the questions posed [in the 2018 Scoping Memo] for [Board-level] Corporate Governance be similarly considered for corporate management?”*⁶²

Most of the Board-level questions in the 2018 Scoping Memo by their nature do not apply to management, and as noted, PG&E has made substantial changes to its management and management structure in connection with the POR OII and otherwise.

⁵⁸ PG&E’s Opening Comments on ACR at 8-9.

⁵⁹ 2018 Scoping Memo at 10.

⁶⁰ PG&E’s Opening Comments on ACR at 16.

⁶¹ 2018 Scoping Memo at 11.

⁶² 2018 Scoping Memo at 11.

9. *“Should the PG&E Board of Directors regularly file with the Commission a report of how the Board met its duties under the BJR to account for safety? Should this include a summary of the oversight exercised by the Board including information reviewed, when deliberations occurred, and the depth of the review? Should the report include the Board review of the corporate officers’ leadership as it pertains to safety? Should compensation to the Board Members be dependent on a Commission finding that the Board members discharged their safety duties appropriately?”*⁶³

A variant of this proposal was considered and rejected by the Commission in the POR OII. CLECA had proposed that “the Commission require the Board to conduct a rigorous evaluation of every major safety proposal made by Management and subject that evaluation process to an after-the-fact audit process conducted either by Commission staff auditors or outside auditors hired by the Commission.”⁶⁴ The Commission did not adopt this proposal. The Commission instead required (i) the SNO Committees to provide periodic reports to Commission staff and serve reports summarizing meetings with the Staff; and (ii) the Chief Safety Officer and Chief Risk Officer to provide periodic reports to the Commission. AB 1054 also requires “board-of-director-level reporting to the commission on safety issues.”⁶⁵

10. *“Should PG&E file a[] . . . safety report [analogous to an 8-K] with the Commission when PG&E makes a significant decision regarding capital expenditures pertaining to safety, a change in management as it pertains to safety, or any other decision that may impact safety?”*⁶⁶

As discussed, through the POR OII the Commission already requires reporting to the Commission by the SNO Committees, the Chief Safety Officer and Chief Risk Officer, and AB 1054 also requires “board-of-director-level reporting to the commission on safety issues.” *Supra*, III(A)(9).

⁶³ 2018 Scoping Memo at 8-9.

⁶⁴ CLECA Reply Testimony (Feb. 21, 2020) at 6.

⁶⁵ Pub. Util. Code § 8389(e)(5).

⁶⁶ 2018 Scoping Memo at 10.

11. *“What are the safety considerations for the utility if its financial status is downgraded by the investment community?”*⁶⁷

Though PG&E does not oppose exploration of this rather abstract question, PG&E notes that issues concerning credit ratings, ensuring that PG&E remains an investable entity, and the like, have been extensively addressed through PG&E’s bankruptcy and the POR OII, and that it has filed an application for issuing secured debt through a separate proceeding.

B. Issues from the 2018 Scoping Memo That Would Distract From and Disrupt Development and Implementation of Significant On-Going Structural and Governance Changes

1. *“Should PG&E’s gas and electric distribution and transmission divisions be separated into separate companies? If so, should the separate companies be controlled by a holding company? Should the holding company be a regulated utility?”*⁶⁸

The Commission’s decision in the POR OII appropriately states that “in June of 2019 the Commission was interested in exploring this idea, but it is less of a priority today, particularly in light of the pending regionalization.”⁶⁹ Given the pending regionalization application, which necessarily will take significant time and effort to consummate, this proposal should not be taken up in the context of the Safety Culture OII. PG&E believes regionalization will achieve the desired safety benefits, but in the event that is not the case the Commission can revisit this proposal in a future proceeding.

⁶⁷ 2018 Scoping Memo at 12.

⁶⁸ 2018 Scoping Memo at 11.

⁶⁹ D.20-05-053 at 110.

2. *“Should the Commission revoke holding company authorization, so PG&E is exclusively a regulated utility? Should all affiliates and subsidiaries be spun off or incorporated into the regulated utility?”*⁷⁰

The Commission’s decision in the POR OII notes that the holding company structure “does appear to have some cost benefit,” but that “the Commission may look again at this issue, taking into consideration PG&E’s subsequent safety record.”⁷¹ Given the current benefits of the holding company structure, and the lack of opportunity since the POR OII for PG&E to develop a “subsequent safety record,” the Commission should defer consideration of this proposal at this time. The Commission would of course have the ability to revisit the issue in a subsequent proceeding.

3. *“Should some or all of PG&E be reconstituted as a publicly owned utility or utilities?”*⁷²

PG&E believes that, as a practical matter, this proposal has been overtaken by the Commission’s decision in the POR OII, which ordered PG&E to proceed with regionalization. PG&E believes that implementing regionalization during simultaneous municipalization would present numerous practical problems (in addition to the legal and practical problems PG&E previously identified). Although PG&E believes that regionalization will achieve the desired safety benefits, in the event that is not the case, the Commission can revisit this proposal in a future proceeding.

⁷⁰ 2018 Scoping Memo at 12.

⁷¹ D.20-05-053 at 40-41.

⁷² 2018 Scoping Memo at 12.

4. *“Should PG&E be a ‘wires-only company’ that only provides electric distribution and transmission services with other entities providing generation services? If so, what entities should provide generation services?”*⁷³

As PG&E previously pointed out, no party brought forward any data showing that conversion to a “wires only” business would improve safety, or any meaningful proposals for overcoming the practical and legal challenges PG&E identified. Moreover, undertaking this proposal at this time would interfere with and distract from the pending regionalization application. Regionalization should be afforded the opportunity to achieve the desired safety benefits.

IV. QUARTERLY REPORTING ON COMMISSION REQUIREMENTS

PG&E has consistently cooperated with the oversight of NorthStar and implemented its recommendations, just as it has with respect to the findings of the ISOC and the Federal Monitor, and as it expects to do in response to the oversight of the anticipated Independent Safety Monitor. Quarterly reporting on progress in implementing NorthStar’s recommendations, or any other Commission requirements, does not warrant keeping open the Safety Culture OII. PG&E proposes that a Tier 2 Advice Letter be used as a vehicle for quarterly reporting regarding implementation of NorthStar’s recommendations, and progress on initiatives adopted in the POR OII. In connection with this advice letter process, Commission staff should be authorized to recommend changes to the content or form of reporting, and change the frequency of the reporting as desired.

⁷³ 2018 Scoping Memo at 11.

V. ASSET SALES TO IMPROVE FINANCIAL CONDITION

The Commission has identified as a potential issue to be addressed in the Safety Culture OII the request that “the Commission require PG&E to undertake asset sales in order to improve its financial condition.”⁷⁴ PG&E is a proponent of divesting of assets in order to improve its financial condition, as reflected in its recently filed application for the Commission’s authorization under Public Utilities Code § 851. PG&E has identified more than fifty additional surplus properties that it also intends to market and sell to improve its financial condition. The designation as a “surplus” property by PG&E’s Surplus Property Department indicates that divesting of the property will not interfere with PG&E’s ability to provide safe and reliable service to its customers and that none of PG&E’s various lines of business have any operational need or use for the property.⁷⁵ The Surplus Property Department was formed in 2017 to provide a focused effort on disposing of PG&E’s surplus fee-owned real property to recover value for PG&E’s customers and mitigate the costs of maintenance, taxes, and liability.

Section 851 approval is only required for “property necessary or useful in the performance of [a utility’s] duties to the public,”⁷⁶ and the statute expressly provides that “[t]his section *does not* prevent the sale, lease, encumbrance or other disposition by any public utility of property that is not necessary or useful in the performance of its duties to the public.”⁷⁷ PG&E’s cautious approach in seeking Section 851 authorization even for surplus properties—those that

⁷⁴ July 15, 2020 ALJ Ruling at 7.

⁷⁵ See Declaration of Aimee Crawford, attached, detailing the process of the Surplus Property Department and attaching as an exhibit a list of the properties designated as surplus which PG&E intends to sell.

⁷⁶ *Id.* § 851(a).

⁷⁷ *Id.* § 851(c) (emphasis added).

are by definition no longer used or useful in the performance of PG&E's duties⁷⁸—could conceivably entail scores of filings over the course of many years to secure Commission approval. Engaging in the Section 851 approval process also hamstrings PG&E's ability to secure the most beneficial terms and price for property. Commission approval under Section 851 is often the longest contingency for closing surplus property transactions, and some buyers are deterred from making an offer due to uncertainty in the ability to secure approval or the timeline for securing approval. In some cases, the perceived risk of agency approval may reduce the sale price or the amount of money the buyer is willing to commit to early deposits, weakening PG&E's stance in the transaction and ability to ensure closing. Long escrow periods increase the risk that the buyer will withdraw from the transaction for reasons other than Commission approval, such as buyer financing falling through, changes in local jurisdiction requirements for development, discovery of alternate competitive locations.

Given the thorough vetting of properties designated as surplus—tantamount to a finding that the properties are no longer used or useful in PG&E's provision of service, and therefore not governed by Section 851—PG&E submits that rather than filing scores of unnecessary Section 851 applications in the coming years, the Commission permit PG&E to submit a quarterly Tier 1 Advice Letter to provide details on the sales of properties designated as surplus. Any net gain or loss on sale of these surplus properties would be provided to customers in accordance the percentage allocation rule laid out in D.06-05-041, as modified by D.06-12-043,

⁷⁸ See D.15-11-002 (“Since the subject property is no longer necessary or useful to Plains WC Terminals to carry out its operations and to serve its customers and the public, § 851 of the Pub. Util. Code does not apply to the proposed sale. Therefore, it is appropriate to dismiss the Application.”).

applicable to property sales with a sale price of \$50 million or less and the after-tax gain or loss is less than \$10 million.⁷⁹ The final calculation of the gain on sale and tax information would be provided to the Commission in the Tier 1 Advice Letters. PG&E believes this process will ensure the greatest potential gain on sales of surplus properties and an expeditious closing.

VI. CONCLUSION

For the foregoing reasons, PG&E supports the Commission closing the Safety Culture OII as well as the POR OII. The Commission may open additional new proceedings in the future as necessary.

⁷⁹ For non-depreciable assets (including land), the percentage allocation rule provides that gains or losses are first calculated based on the percentage of time the property was out of rate base and allocated to shareholders. The remaining gain or loss for the period of time the property was in rate base, is then allocated 67 percent to ratepayers and 33 percent to shareholders. D.06-05-041 states that the percentage allocation rule does not apply where the asset sale price exceeds \$50 million or the after-tax gain or loss exceeds \$10 million.

Dated: August 4, 2020

Respectfully Submitted,

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Attorneys for PACIFIC GAS AND ELECTRIC
COMPANY

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

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

INVESTIGATION 15-08-019

(NOT CONSOLIDATED)

Order Instituting Investigation on the Commission's Own Motion to Consider the Ratemaking and Other Implications of a Proposed Plan for Resolution of Voluntary Cases 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.

INVESTIGATION 19-09-016

**DECLARATION OF AIMEE CRAWFORD IN SUPPORT OF
OPENING COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
ON ADMINISTRATIVE LAW JUDGE'S RULING ON CASE STATUS**

I, Aimee Crawford, declare:

I am the Director of Land Management at Pacific Gas and Electric Company (PG&E). I have personal knowledge of the facts herein, or am informed and believe the matters herein are true. If called as a witness in this matter, I could and would competently testify regarding the contents of this declaration.

* * *

Commission approval under Section 851 is often the longest contingency for real estate transactions, and is an unnecessary one for properties that are no longer necessary or useful for PG&E to perform its duties. Buyers view the Commission review and approval condition after execution of the sales agreement to be a risk for the sale. Thus, PG&E seeks to move forward with sales of properties that do not fall within the scope of Section 851 to mitigate this risk and achieve sale agreements with the most beneficial terms and sale prices for PG&E and its customers. This risk can have the following effects:

- Some buyers are deterred from making an offer due to uncertainty in the ability to secure approval or the timeline for securing approval;
- In some cases, the perceived risk of agency approval may reduce the sale price or the amount of money the buyer is willing to commit to early deposits, weakening PG&E's stance in the transaction and ability to ensure closing; and
- Long escrow periods increase the risk that the buyer will withdraw from the transaction for reasons other than Commission approval, such as buyer financing falling through, changes in local jurisdiction requirements for development, discovery of alternate competitive locations.

Selling properties that are no longer necessary or useful—termed “surplus” properties once designated as such through PG&E’s Surplus Property declaration process, also reduce PG&E’s holding costs in the form of maintenance, taxes, insurance, and liabilities. PG&E believes moving forward with surplus property sales will ensure the greatest potential gain on sale and ensure expeditious closing. The process of identifying and designating properties as “surplus” is described below. A chart attached as Exhibit A reflects those properties which have already been designated as surplus according to the Surplus Property Declaration Process.

PG&E’s current Surplus Property Department was formed in 2017 to provide a focused effort on disposing PG&E’s surplus fee-owned real property to recover value for PG&E’s customers and mitigate holding costs and liability. Prior to 2017, sales of PG&E’s surplus property were handled by various teams, such as Corporate Real Estate (CRE) and Land Rights, as a subset of their workflow.

PG&E has a historic practice of formally declaring properties as Surplus, which was refreshed with the formation of the current Surplus Property team to ensure it incorporated all current regulatory interests and considered all impacted lines of business (LOB). This process also took advantage of PG&E’s approval software program used by Land Management called the Electric Document Routing System, or (EDRS). EDRS is a computer program that tracks and stores department approvals and documentation.

PG&E’s Surplus Declaration Process is designed to ensure that declaring the property as Surplus will not interfere with PG&E’s ability to provide safe and reliable service to its

customers and that none of PG&E’s various LOBs have an operational need or use for a property for which the property is not already being used.¹

A. Surplus Declaration Process

1. Identify Potential Surplus

The first stage of the Surplus Declaration Process is for a PG&E property to be identified as “potential surplus” and brought to the attention of the Surplus Property team. Potential surplus property may be identified by one of any organizations within PG&E, most commonly Land Rights or Environmental Remediation. PG&E Land Agents in PG&E’s Land Rights Department regularly conduct inspections and other administrative work related to PG&E’s real property. Through this inspection and management, they may recognize that a property no longer appears useful or to be in use by the PG&E department (e.g., Substation, Electric Transmission, CRE) that operates and manages the property (the Asset Owner). At times, PG&E’s Environmental Remediation Department purchases property previously owned by PG&E for the sole purpose of remediating the site. Environmental Remediation may notify Surplus Property after they complete a site cleanup project or engage Surplus Property throughout the site cleanup in order to coordinate the remediation plan with the potential future sale. Sometimes Surplus Property is notified by someone outside of PG&E inquiring about a property that they are interested in purchasing.

2. Asset Owner and LOB Review

After a property is identified as potential surplus, the Surplus Property team identifies the Asset Owner and works informally (i.e., by phone or email) with the Asset Owner to confirm

¹ For example, this process would ensure that PG&E did not sell a parcel of real property in the same geographic area in which Gas Transmission was actively looking for a site to install an In-Line Inspection launcher.

whether they would like to release the asset. If the response to this outreach is that there are no plans for the property, the Surplus Property team will proceed with its due diligence research and the Surplus Declaration Process. The Surplus Property team then begins initial research about the property, which is summarized in a Surplus Property Fact Sheet. The Surplus Fact sheet provides the reason why the property is being considered for Surplus, background information on how and when the site was acquired, geographical information, encumbrances on the property, and maps of the property showing both geographic attributes and PG&E facilities. The site research also includes a Determination of Rights (DOR) study from the Land Rights Department. The DOR will indicate any PG&E facilities located on the property, such as underground gas pipelines or electric lines, overhead electric lines, monitoring wells, access roads, etc. This is a critical step because it will identify any easements that will need to be reserved for PG&E's use if the property is sold. The Surplus Fact Sheet is used for the formal approval steps in the Surplus Declaration Process.

i) Asset Owner Approval:

Surplus Property first seeks formal release of the property from the Asset Owner. These requests and approvals are routed and recorded through and documented in EDRS. The request includes the Surplus Fact Sheet and a letter from the Manager of Surplus Property. This request is routed through PG&E's Land Rights Department, the Surplus Property team and the Asset Owner. To complete this step, the release of the property must be ultimately approved by a Director, or Officer from the Asset Owner Department.

ii) LOB Approval:

If the declaration is approved by the Asset Owner, the property is then reviewed by other LOBs, as appropriate, to confirm their need or interest in using the property. These LOBs are

Gas and Electric Distribution and Transmission, Power Generation and CRE Strategy and Services. Like the Asset Owner approval, this approval is routed in EDRS and includes the Surplus Property Fact Sheet and a letter from the Surplus Property Manager. The property must receive approval from a Director or Officer from each LOB in order to move on to the next stage. This routing includes the Surplus Property Fact Sheet, the Asset Owner approval, and a letter from the Manager of the Surplus Property group.

3. Surplus Declaration

Following Asset Owner and LOB reviews, the Surplus Declaration is approved and signed. Approval of the Surplus Declaration is routed in EDRS from the Surplus Property staff to the Manager of Surplus Property, the Director of Land Management, and, if needed, the Vice President (VP) of Shared Services. PG&E's Delegation of Authority requires Surplus Declarations for properties with market values estimated at \$5 million or more to be approved by a VP. All other Surplus Declarations are signed by a Director. This routing also includes the Surplus Property Fact Sheet, the Asset Owner approval, the LOB approval, and the Surplus Declaration Letter. The Surplus Declaration Letter is signed by the Director of Land Management or the VP of Shared Services, per PG&E's Delegation of Authority and is considered the final documentation of the property's status being declared as Surplus. In some cases, properties may be declared surplus, based on approval from the Asset Owner only, without circulating to other PG&E departments. Examples of this are:

- 1) Divestment as part of an executive-approved business strategy.
- 2) Properties managed by PG&E's CRE. CRE develops an integrate PG&E real estate strategy for properties it manages, so when it determines that a property is surplus, there is generally no need to perform a separate review.

3) Properties that are heavily encumbered or have physical characteristics that make them infeasible for new utility development (e.g. unusual dimensions, no access, steep slopes), and thus they would not be usable for any other PG&E departments use.

4) The Asset Owner has determined that the property is not suitable for utility uses and those reasons would apply to any other new PG&E use.

5) Other PG&E departments do not have facilities in the area and would clearly not have use for the property.

B. Marketing and Sale

1. Pre-Sale Due Diligence

Prior to selling a property that has been declared Surplus, PG&E conducts due diligence research on the property itself. Some of this work, such as the DOR, is completed prior to, and in support of the Surplus Declaration Process. Other work that is not needed for the Surplus Declaration may be delayed until after a property is declared Surplus to avoid unnecessary time and cost if it is determined that the property should be kept. This research includes researching legal title through a title report, internal and third-party environmental investigation, which includes a Phase I. PG&E will complete all required actions to formally subdivide parcels as needed for legal conveyance of surplus properties. Environmental due diligence may include ensuring that Land Use Covenants are executed to protect the property from certain uses that are not permitted under a remediation action plan as determined by the Department of Toxic Substances Control. At this stage, the property's zoning and potential use are also analyzed to determine the highest and best use of the property by a future buyer, and the relevant documents to be disclosed to potential buyers are prepared.

2. Fair Market Value

Generally, PG&E seeks the fair market value of a Surplus property when marketing it for sale. PG&E determines the fair market value of a property through a third-party appraisal, a broker's opinion of value, or a PG&E valuation from its internal real estate consultants that specialize in valuation. This valuation considers the highest and best use of the property, and most often applies the "comparable sales" valuation approach.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and that it is executed on August 4, 2020 at Woodland, California.

 Recoverable Signature

X Aimee Crawford

Aimee Crawford
Director, Land Management
Signed by: 065d6789-124a-4222-a912-16c0f6d56e89

Exhibit A: Property Declared Surplus as of August 3, 2020

Primary SBE Lookup	Surplus Project Name	Total Acres	County	City	Address	Surplus Status
109-15-001-1	Taft CSO (Former) (OZ)	0.069	Kern	Taft	Sixth Street near Center Street	Declared Surplus
109-44-009-1	Valencia Substation (Former)	0.28	Santa Cruz	Aptos	next to 6250 Freedom Blvd	Declared Surplus
117-01-003-5	Estates Drive T/L LINE 0601 Harter Tap 115 KV	0.219	Alameda	Piedmont	Estates Dr & Sandringham Rd	Declared Surplus
135-01-003C-1	Oakland Gas Load Center	1.621	Alameda	Oakland	Embarcadero W btwn Market & MLK	Declared Surplus
135-01-005E-2	Claremont Sub TL Corridor (Portion)	16.385	Alameda	Oakland	behind 6275 Fairlane Dr	Portion Declared Surplus
135-01-005F-1	Line 0288 San Leandro Station J No. 1 & 2 Fee Strip	1.59	Alameda	San Leandro	N of Bancroft Ave, W of 136th	Declared Surplus
135-01-021-2	Seminary Substation (decommissioned)	0.057	Alameda	Oakland	MacArthur Blvd at 60th Ave	Declared Surplus
135-01-029-3	East Avenue T/L Corridor #2	1.03	Alameda	Hayward	next to 2734 East Ave	Declared Surplus
135-01-034A-4	ET Fee Strip Adjacent-Castro Valley	0.87	Alameda	Hayward	behind 25298 Old Fairview Ave	Declared Surplus
135-01-057-3	East Avenue T/L Corridor #1	2.03	Alameda	Hayward	Near 2694 East Ave	Declared Surplus
135-01-057-4	Highland Boulevard (Multi 2)	1.544	Alameda	Hayward	next to 1620 Highland Blvd	Declared Surplus
135-01-063A-1	Prune Avenue Tower Line Corridor	0.398	Alameda	Fremont	between Prune Ave & Tavis Pl	Declared Surplus
135-01-064E-1	Fremont Blvd T/L (Line 0239 Newark GM 115 kv)	2.577	Alameda	Fremont	adj to 43960 Fremont Blvd @AutoMall Pkwy	Declared Surplus
135-01-084A-1	Oakland CSO (Former)	0.597	Alameda	Oakland	1919 Webster Street	Declared Surplus
135-04-054-2	Line 0300 Pit Vaca-Dixon 1&2 230kv	8.17	Butte	Oroville	Olive Highway & Tyme Way	Declared Surplus
135-07-002B-1	Richmond Substation S	0.047	Contra Costa	Richmond	W Nevin & 2nd	Declared Surplus
135-07-010A-1	Martinez P/P Site (Multi 2)	1.661	Contra Costa	Martinez	W Main Rd & Shell Ave	Portion Declared Surplus
135-07-023F-4	Contra Costa PP Gas & Elec Fee	29.77	Contra Costa	Antioch	3200 Wilbur Ave	Declared Surplus
135-07-024E-1	Richmond Gasholder (Brickyard Cove)	5.509	Contra Costa	Richmond	Brickyard Cove Rd & Old Kiln Way	Declared Surplus
135-07-032D-1	Line 0029 Contra Costa 230 kv (OZ)	0.72	Contra Costa	Antioch	Stewart Lane & Viera Ave	Declared Surplus
135-07-049C-1	Ripley Substation (former)	0.089	Contra Costa	Richmond	next to 573 Harbour Way	Declared Surplus
135-07-055B-1	Dupont Tower Line 110kV (Multi 3) (OZ)	1.26	Contra Costa	Oakley	Neroly Rd & Elm Lane	Declared Surplus
135-07-057A-5	Kirker Pass/Myrtle Fee Strip	2.716	Contra Costa	Concord	Kirker Pass Rd @ Myrtle Dr	Declared Surplus
135-07-097P-17	Harris Yacht Harbor/ Bay Point/ Shell Pond (Multi 6) (OZ)	851.33	Contra Costa	Pittsburg	NW of Port Chicago Hwy & McAvoy	Portion Declared Surplus
135-10-065-1	Helms Valley-Nitrogen 70kV (OZ)	2.92	Fresno	San Joaquin	S Colorado @ W Floral	Declared Surplus
135-10-067A-1	Clovis SC/Proposed Shepherd Sub	7.67	Fresno	Clovis	393 West Alluvial Ave @ Palo Alto Trl	Declared Surplus
135-10-071-1	Shepherd Tap/Corridor	1.612	Fresno	Clovis	near N Peach & E International	Declared Surplus
135-10-120A-1	Giffen Solar Excess Land (Portion) (OZ)	86.61	Fresno	Cantua Creek	14468 S. San Mateo	Portion Declared Surplus
135-12-031-1	Fortuna Service Center	4	Humboldt	Fortuna	2755 Rohnerville Rd	Declared Surplus
135-12-033-1	Warren Valley Substation	5.97	Humboldt	Arcata	Alder Grove Rd & Hilton Ln	Declared Surplus
135-15-007E-1	Kern Power Plant (Portion)	145.967	Kern	Bakersfield	2401 Coffee Road	Portion Declared Surplus
135-16-001-1	Kettleman Water Supply/Compressor Station Well (former) (OZ)	10	Kings	Kettleman City	29th and Arroyo Degallado	Declared Surplus
135-17-028B-1	Freeman Ranch	99.336	Lake	Middletown	19068 Butts Canyon Rd.	Declared Surplus
135-21-027A-1	Novato Service Center (never built)	13.57	Marin	Novato	8161 Redwood Boulevard	Declared Surplus
135-27-038A-1	Moss Landing 500kV (Multi 4)	120.31	Monterey	Castroville	Cabrillo Hwy & Molera Rd	Declared Surplus
135-28-020-1	St. Helena MGP	0.868	Napa	St Helena	1301 Mitchell Drive, St. Helena, CA 9457	Declared Surplus
135-34-019A-3	Sacramento MGP (Multi 3) (OZ)	5.251	Sacramento	Sacramento	2000 Front and U Street	Declared Surplus
135-34-047B-1	Sac Fee Drum-Allison 60kV	1.001	Sacramento	Sacramento	Marysville Blvd at Golden Angel Way	Declared Surplus
135-38-024D-1	Hoedown Yard (Multi 2)	3	San Francisco	San Francisco	1201 Illinois St at 22nd	Declared Surplus
135-39-005-3	Stockton CSO (Former) (OZ)	0.22	San Joaquin	Stockton	345 E. Channel Street	Declared Surplus
135-39-035-1	Vacant Gas Fee- Line 108 Stockton (Multi 3) (OZ)	0.41	San Joaquin	Stockton	N D Street between E Vine and Waterloo	Declared Surplus
135-40-014A-2	SLO MGP (Multi 4)	1.03	San Luis Obispo	San Luis Obispo	1390 Walker Street near Pacific	Declared Surplus
135-41-016-4	San Carlos Parking Lease	0.21	San Mateo	San Carlos	Adj to 1055 Old Country Road	Declared Surplus
135-41-050B-7	Beacon St., South SF	2.222	San Mateo	South San Francisco	behind 130 Beacon St	Portion Declared Surplus
135-43-030B-3	Mountain View Fee Strips (Multi 2)	20.79	Santa Clara	Mountain View	Crittenden Ln at Google	Declared Surplus
135-43-055E-1	Calero Sub (never built) + fee strip (Multi 2)	8.4	Santa Clara	San Jose	near 800 Portswood Dr	Declared Surplus
135-43-059-2	Lexington Substation (Former)	3.724	Santa Clara	Los Gatos	Summit Rd & Mountain Charlie Rd	Declared Surplus
135-43-063-2	Moss Landing Metcalf Fee (Multi 2)	18.4	Santa Clara	San Jose	Bailey Ave North of McKean Rd	Declared Surplus
135-43-116-1	Gilroy Service Center (OZ)	8.85	Santa Clara	Gilroy	241 Yamane Dr., Gilroy, CA 95020	Declared Surplus
135-48-043-1	Shelton Lane - Mendocino-Vaca Dixon 500 kv	5	Solano	Vacaville	Shelton Ln at Lemen Ln	Declared Surplus
135-48-046C-1	Vallejo Office Annex (to former CSO) (OZ)	0.385	Solano	Vallejo	Mare Island Way near Florida St	Declared Surplus
135-48-048B-1	Collinsville/ Montezuma PP site (Multi 9) (OZ)	266.03	Solano	Collinsville	Collinsville Rd & Stratton Ln	Declared Surplus
143-10-008-1	Fresno G Street Substation (OZ)	0.26	Fresno	Fresno	1131 G Street	Declared Surplus