



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

**FILED**  
08/04/20  
04:59 PM

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  
(Filed August 27, 2015)

**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 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.

Investigation 19-09-016  
(Filed September 16, 2019)

**COMMENTS OF WILLIAM B. ABRAMS ON THE PROPOSED OPTIONS TO  
CONTINUE THE ORDER INSTITUTING INVESTIGATION ON THE COMMISSION'S  
OWN MOTION TO IMPROVE THE SAFETY CULTURE OF PG&E CORPORATION**

William B. Abrams  
Community Advocate  
California Resident  
1519 Branch Owl Place  
Santa Rosa, CA, 95409  
(707) 397-5727

August 4, 2020

Email: [end2endconsulting@gmail.com](mailto:end2endconsulting@gmail.com)

**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  
(Filed August 27, 2015)

**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 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.

Investigation 19-09-016  
(Filed September 16, 2019)

**COMMENTS OF WILLIAM B. ABRAMS ON THE PROPOSED OPTIONS TO  
CONTINUE THE ORDER INSTITUTING INVESTIGATION ON THE COMMISSION'S  
OWN MOTION TO IMPROVE THE SAFETY CULTURE OF PG&E CORPORATION**

William B. Abrams was granted party status via written ruling on April 26, 2019. In accordance with Rule 14.3 of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure, William B. Abrams submits these comments according to the July 15, 2020 Administrative Law Judge's Ruling on Case Status.

## 1. Introduction

The commission made great strides and should be commended for their work in this proceeding to investigate and develop options to ensure PG&E will soon be oriented towards safety. This included in-depth hearings with PG&E executives and consultation with subject matter experts within and outside the utility industry. These hearings combined with party comments yielded several pragmatic options for the commission to consider to ensure that PG&E will finally get on a path where safety is ingrained in their DNA and the way they do business. The narrowing of these options to ensure PG&E operates in a safe manner is critical for PG&E. The commission and residents across Northern California must continue to insist on ingrained changes in PG&E for the safety and security of our communities. I urge the commission to continue the critical work within this proceeding and to insist upon substantive and regulatable remedies.

PG&E has argued that the bankruptcy process yielded safety-oriented restructuring and therefore this proceeding is unnecessary. However, the reality is much different. The bankruptcy process simply addressed some short-term financial issues for the company, approximated settlements for victims and changed some of the leadership roles. The underlying organizational structure and business processes of PG&E remain unchanged and are largely NOT oriented towards a safety culture. Reinforcing this sentiment, Judge Montali in his decision approving the PG&E plan stated the following:

*“Mr. Abrams’ desire for a better PG&E, for a better environment and a better Northern California, safe from wildfires, while aspirational and well-intended, is not something the Bankruptcy Code or this court can deliver.”<sup>1</sup>*

---

<sup>1</sup> Case # 19-30088-DM “MEMORANDUM DECISION - CONFIRMATION OF DEBTORS’ AND SHAREHOLDER PROPONENTS’ JOINT CHAPTER 11 PLAN OF REORGANIZATION” [Dkt. 8001], June 17, 2020

Indeed, the bankruptcy process was a missed opportunity to change the systemic safety issues for PG&E. Therefore, it is incumbent upon the commission to continue its strong work within this proceeding and evaluate next steps. As we are all too aware, this “corporate culture” is inextricably linked to the financial future of residents across Northern California and the safety of families living among the PG&E lines. Given this background, please consider the following in keeping with Option #1 as laid out to “*Keep the proceeding open and proceed to address a manageable subset of the potential issues, with NorthStar continuing in a monitoring role.*”

## **2. Comments and Recommendations**

**“If Option 1 is recommended, identify and provide the basis for the “manageable subset” of issues to be addressed, along with a proposed schedule”**

I recommend that the commission consider two discrete but interdependent issues consistent with D.20-05-053 and in keeping the goals of this proceeding. The following could be appropriately managed in the near-term:

- 1) **Modification or Elimination of PG&E Corporation’s holding company Structure** – The current Holdco structure while beneficial for typical short-term utility investors is in many ways antithetical to a structure that promotes the long-term safety/sustainability interests of PG&E. Indeed, the PG&E bankruptcy remedied some short-term liabilities and added to the corporate debt. The commission should pursue an investigation that takes into consideration the mutual interests of longer-term investors and the public who are not just playing the short-game. Many utility companies have looked at and implemented subsidiary structures and spin-offs to address corporate risks and opportunities associated with deficiencies in innovation-orientation, risk mitigation and general growth when faced with the types of risks PG&E now

faces. Investment bankers, utility investors, corporate turn-around experts, utility innovators and other subject matter experts should be consulted through panel discussions within this proceeding to explore options along these lines. There are experts within the utilities and in adjacent industries including tech and telecommunications that would lend perspective towards these ends. PG&E and other parties to this proceeding should be asked to weigh the various corporate restructuring options that provide these mutual benefits.

- 2) **Linking PG&E's ROE to Safety Performance Metrics** - The pursuit of win-wins that produce a Return on Equity (ROE) while providing a Return on Safety (ROS) for the public are central to the safety issues contemplated by the commission. Until these broader metrics are aligned and tied to an underlying and comprehensive risk management and quality assurance program, we will still not have a corporate and investment structure aligned towards safety. If pursued, this investigation would uncover the degree to which PG&E is effective in its ability to manage its assets and the degree to which those business structures are or are not aligned to safety considerations and risk mitigation. Specifically, how can PG&E investment structures simultaneously maximize both ROE and ROS to strengthen corporate health AND public safety? Yes, PG&E and the commission should consider new investment mechanisms that would facilitate a greater safety-orientation for the company. Similar to issue #1 above, the commission should seek subject matter experts knowledgeable about how to align corporate investment structures towards risk mitigation and innovation.

These two issues could be addressed on parallel paths within the scope of this proceeding to create efficiencies for PG&E and other parties. I propose the following rough schedule to address the above issues and in keeping with the objectives of this proceeding:

- **PG&E Brief on Issues (September 2020)** – Given PG&E's recent bankruptcy exit and appointment of new executives including Sumeet Singh as the Chief Risk Officer, PG&E

should provide an overview of its risk management programs and describe how these programs align and benefit from the current investment structure. This will help to lay the foundation for this phase of the proceeding.

- **Hearings, Workshops and Panel Discussions (October 2020)** – Subject matter experts (SMEs) should be sought by the commission to provide perspective regarding corporate restructuring best practices and new utility investment structures. I recommend that the following 2 expert panel discussions be prioritized (each followed by a one to two-day workshop):
  - **Risk Management Panel (1 day)** – Risk management professionals and experts in QA methodologies and programs from adjacent industries should be asked to participate and share best practices/recommendations relative to the two issues described above. How have risk management and quality assurance programs, practices and processes been successfully aligned with corporate investment structures to maximize ROE and ROS? How do these types of programs successfully support a safety culture? How should a risk management program maintain independence while ensuring it is ingrained in the corporate culture?
    - **Risk Management and QA Workshop (2 days)** – Parties will participate in a 2-day workshop based upon the learnings from the panel discussion and outside experience. How would the risk management and QA best practices within other utilities and in adjacent industries be leveraged to more effectively provide a safety culture within PG&E? How could PG&E business processes better align with safety and risk mitigation goals? What is the degree to which current PG&E investment structures support risk mitigation/metrics and how could these ties be strengthened through further reorganization?

- **Utility Investment/Corporate Restructuring Panel (2 day)** – Current PG&E investors and representatives from other large utility investor groups should be included in the panel to provide perspective on their risk/reward analysis for utilities in general and the types of restructuring that would attract their further investment in a more safety-oriented PG&E. Additionally, corporate restructuring experts from adjacent industries should participate to provide perspective. This will help the commission and parties understand the risks and benefits associated with the potential elimination or modification to the PG&E Holding Company structure. What types of spin-offs or subsidiaries would be attractive longer-term investments and allow PG&E to operate safe and reliable service? How have corporations successfully restructured to focus on innovation and risk management? What debt classifications or other mechanisms that can be leveraged to focus investments on risk mitigation?
  - **Investment/Corporate Restructuring Workshop (1 day)** – Parties should weigh the learnings from the panel discussion and their applicability to the PG&E corporate structure. How could the commission direct and/or influence changes to the PG&E corporate structure to strengthen the health of the company and further a safety culture? If PG&E spun-off a portion of their business to provide an added safety focus, what would that look like and what would be the risks and benefits? What would a PG&E subsidiary focused on safety or energy innovation look like? How might these changes be fostered or directed by the commission? What are the barriers and opportunities associated with these types of changes? How does the regionalization approach support or exacerbate ongoing PG&E safety concerns?
- **Comments and Reply Comments (3 weeks)** – Parties would provide recommendations based upon the panel discussions and workshops as described above. These comments should focus on the two issues outlined above given the context provided by PG&E representatives participating in this proceeding and

other experts. These comments should provide specific recommendations on how PG&E could eliminate/modify the Holding Company structure while enhancing the financial health of PG&E and further the safety/reliability culture within the organization. These comments may or may not include corporate restructuring recommendations and/or support for the current PG&E corporate structure.

### **3. Conclusion: Application of Performance Metrics is the Only Viable Proposal**

As a wildfire survivor, I am concerned about the safety and security of my family and our communities given the safety track record of PG&E. As a professional and given that the victim trust holds 23% of PCG shares, I am also very concerned about the financial stability of PG&E given the growing wildfire risks that are largely unmitigated by PG&E business process and practices. This proceeding is uniquely positioned to investigate remedies that can address these interrelated issues. After all, the safety risks posed by PG&E are in many ways the same risks to PG&E financial stability but are often seen as opposing forces that pit investor interests against ratepayer/public interests. This proceeding should endeavor to seek greater alignment and explore ways PG&E could better embrace business structures and processes that further their bottom line ROE and ROS. This should not be viewed as a utopian regulatory notion but a strategic imperative given climate change, COVID19 and other growing local risks that surround our Northern California energy grid. If we choose to put off the important work of this proceeding, I fear it may lead to exponential risks in the near-term that will be more costly for all stakeholders. Therefore, I urge the commission not to cancel, postpone or otherwise delay the important work set in this proceeding. Please, consider a collaborative scope and schedule similar to what I have outlined to move this proceeding forward in a positive direction.



Dated:

August 4, 2020

Respectfully submitted,

/s/ William B. Abrams

California Resident

1519 Branch Owl Place

Santa Rosa, CA, 95409

Tel: (707) 397-5727

E-mail: [end2endconsulting@gmail.com](mailto:end2endconsulting@gmail.com)