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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 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

ADMINISTRATIVE LAW JUDGE'S RULING UPDATING CASE STATUS

Summary

Investigation (I.) 15-08-019 will remain open as a vehicle to monitor the progress of Pacific Gas and Electric Company (PG&E) in improving its safety culture, and to address any relevant issues that arise, with the Commission's consultant NorthStar Consulting Group, Inc. (NorthStar) continuing in a monitoring role. Issues may be raised in the proceeding by parties or the Commission.

1. Background

In a ruling issued on July 15, 2020,¹ parties were asked to comment on the next steps to be taken in I.15-08-019 and I.19-09-016. There was no significant opposition to closing I.19-09-016, the proceeding addressing the bankruptcy reorganization plan of PG&E. The next steps in I.19-09-016 will be addressed separately in that proceeding.

For I.15-08-019, the Commission's investigation into PG&E's safety culture, the parties were presented with several possible options to comment on, specifically:

- 1) Keep the proceeding open and proceed to address a manageable subset of the potential issues, with NorthStar² continuing in a monitoring role.
- 2) Keep the proceeding open as a vehicle to monitor PG&E's progress and address issues that arise, with NorthStar continuing in a monitoring role. Issues could be raised in the proceeding by parties or the Commission.
- 3) Keep the proceeding open for NorthStar to continue in a monitoring role and for the Commission to address issues identified by staff or NorthStar. Parties could not raise issues to be addressed in the proceeding, but would have the opportunity to address issues raised by the Commission.
- 4) Close the proceeding and open a more narrowly focused proceeding on specific short-term issues. The Commission could open additional new proceedings in the future to address the same or related issues as presented in I.15-08-019. NorthStar may continue in a monitoring role.
- 5) Close the proceeding. The Commission could open additional new proceedings in the future to address the same or related

¹ *Administrative Law Judge's Ruling on Case Status.*

² NorthStar is under contract as a consultant to the Commission's Safety and Enforcement Division.

issues as presented in I.15-08-019. NorthStar may continue in a monitoring role.

2. I.15-08-019 Options

Parties filed comments in support of three of the options presented. No party filed comments in support of options 3 or 4. Comments were filed supporting option 5 (closing the proceeding), option 2 (keeping the proceeding open for monitoring purposes) and option 1 (keeping the proceeding open to address a subset of issues).

2.1. Option 5 – Close the Proceeding

PG&E and the Coalition of California Utility Employees (CUE) support option 5, closing the proceeding. According to PG&E, it is reasonable to close I.15-08-019, as the Commission has other processes for monitoring PG&E's progress and actions on safety, and the issues identified in the prior Scoping Memo for the I.15-08-019 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 developing and implementing significant safety-focused changes to be addressed in other proceedings.
- (PG&E Comments at 19-20)³

CUE similarly argues that in I.19-09-016 “[T]he Commission already considered PG&E’s governance structure pursuant to AB 1054 and adopted requirements that effectively accomplish the major purpose of the Safety Culture OII...” CUE accordingly argues that both I.15-08-019 and I.19-09-016 should be

³ PG&E’s comments are quite lengthy, and will not be addressed in detail at this time. PG&E includes an argument relating to asset sales (PG&E Comments at 27), in response to which CCSF correctly notes: “PG&E’s request is not related or responsive to the ALJ’s Ruling. Addressing PG&E’s request in this context would be unreasonable and procedurally improper.” (CCSF Reply Comments at 3.)

closed, as the Commission can open new proceedings in the future to address issues that may arise from NorthStar's ongoing monitoring. (CUE Comments at 4.)

The Joint CCAs "[S]trongly disagree with PG&E's contention that the Commission's efforts in the Bankruptcy OII (Docket No. I.19-09-016) regarding PG&E's Plan of Reorganization have either superseded or rendered moot proposals that were originally teed up in the Safety Culture OII." (Joint CCA Reply Comments at 3.) According to the Joint CCAs, there are critical issues that should be addressed in this proceeding that were not resolved in the Bankruptcy OII. (*Id.* at 4.)

2.2. Option 2 – Keep Proceeding Open for Monitoring

The Utility Reform Network (TURN), the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) the Energy Producers and Users Coalition and the City and County of San Francisco (CCSF) support option 2, keeping the proceeding open as a vehicle to monitor PG&E's progress and address issues that arise, with NorthStar continuing in a monitoring role.

TURN argues:

At this time, the federal court continues to deliberate over the changes to PG&E's conditions of probation ordered on April 29, 2020. Once the court acts, it may be appropriate for the Commission to have a forum in which to oversee PG&E's implementation of the new conditions of probation as those conditions impact issues under the Commission's jurisdiction. Keeping I.15-08-019 open for this purpose makes sense.

Additionally, TURN continues to believe that the Commission should at some point in the future revisit the need to modify or eliminate PG&E's holding company, an issue the Commission found appropriate in D.20-05-053 to keep alive within I.15-08-019. TURN does not advocate addressing this

issue immediately, while PG&E is focused on regional restructuring. (TURN Comments at 5.)

2.3. Option 1 – Keep Proceeding Open to Address a Subset of Issues

A number of parties recommend option 1, which would keep the proceeding open to address a “manageable subset” of issues. Parties identified a range of potential issues, with some limited overlap or agreement.

Silicon Valley Clean Energy (SVCE) argues that:

The Commission should keep I.15-08-019 open under Option 1 in order to address an outstanding issue with significant operational and safety implications – whether a distribution system operator (“DSO”) model should replace Pacific Gas and Electric Company’s (“PG&E’s”) existing centralized grid structure. (SVCE Comments at 3.)

William B. Abrams (Abrams) argues that the proceeding should consider modification or elimination of PG&E Corporation’s holding company structure and linking PG&E’s return on equity to safety performance metrics. (Abrams Comments at 4-5.) TURN opposes addressing in this proceeding Abrams’ proposal to link PG&E’s return on equity to safety performance metrics. (TURN Reply Comments at 3-5.)

The Direct Access Customer Coalition (DACC) recommends that the Commission use this proceeding to examine and act upon converting PG&E to a “wires-only” company. (DACC Comments at 1-7.)

The Joint CCAs⁴ recommend that the Commission prioritize development of a plan in this proceeding to ensure continuity of gas and electric service

⁴ The Joint CCAs consist of the City of San José, San José Clean Energy, East Bay Community Energy, Marin Clean Energy, Monterey Bay Community Power, and Peninsula Clean Energy Authority.

should the Commission need to revoke PG&E's Certificate of Public Convenience and Necessity (Joint CCA Comments at 6, 7), and also consider whether PG&E's holding company structure should be revoked and whether PG&E should be a "wires-only company" that provides electric distribution and transmission services with other entities providing generation service. (*Id.* at 4.)

The Center for Energy Efficiency and Renewable Technologies (CEERT) proposes a modified version of option 1, which would appear to keep open for consideration all issues previously identified as within the scope of I.15-08-019. (CEERT Comments at 6.) The only specific proposal that CEERT identifies for consideration is that: "PG&E's electric distribution service should be restructured as an Open Access Distribution System Operator [OA-DSO]." (*Id.* at 3-4.) SBUA generally supports CEERT's proposal to keep I.15-08-019 open for consideration of a broad range of issues. (SBUA Reply Comments at 5.)

CUE opposes the proposals to transition PG&E to a "wires-only" company or to a DSO model, arguing that these proposals do not directly affect safety. (CUE Reply Brief at 2-5.)

PG&E opposes all of the proposals to keep I.15-08-019 open, arguing that "[T]he Commission's efforts in Investigation (I.) 19-09-016 [...] instigated safety initiatives which have effectively superseded or mooted most of the issues identified in the 2018 Scoping Memo for the Safety Culture OII." (PG&E Reply Comments at 1.) PG&E additionally argues that the party proposals to consider specific issues under Option 1 would distract from or disrupt PG&E's ongoing structural and governance changes. (*Id.* at 5-7.)

3. Discussion

Given the nature of the specific issues identified by the parties under option 1, it is not clear that any of those issues could be considered a

“manageable subset” that could reasonably and effectively be addressed at this time, particularly in the context of current events that include PG&E’s regionalization application (A.20-06-011) and major changes in PG&E management, among other things. At the same time, however, this Commission is not prepared to close this proceeding, which would make it more difficult and cumbersome for the Commission to monitor and address PG&E’s ongoing safety performance.

Accordingly, at this time we adopt “Option 2” - this proceeding will remain open as a vehicle to monitor PG&E’s progress and address issues that arise, with NorthStar continuing in a monitoring role. Issues can be raised in the proceeding by parties or the Commission. Given the adoption of this primarily monitoring approach, we will not issue a revised Scoping Memo at this time, but may do so in the future. Until a revised Scoping Memo is issued, the scope of issues that can be raised and addressed in this proceeding remains the same as that set forth in the previous Scoping Memo.

IT IS RULED that:

1. Investigation 15-08-019 will remain open.
2. NorthStar Consulting Group, Inc. will continue its work in a monitoring role.
3. Issues to be addressed in the proceeding may be raised by parties or the Commission.

Dated September 4, 2020, at San Francisco, California.

/s/ PETER V. ALLEN

Peter V. Allen
Administrative Law Judge