



STATE OF CALIFORNIA

GAVIN NEWSOM, Governor

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

**FILED**

04/18/22

02:36 PM

A2006011

April 18, 2022

**Agenda ID #20562**  
**Ratesetting**

TO PARTIES OF RECORD IN APPLICATION 20-06-011:

This is the proposed decision of Administrative Law Judge Brian Stevens. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's May 19, 2022 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ ANNE E. SIMON

Anne E. Simon

Chief Administrative Law Judge

AES:jnf

Attachment

Decision PROPOSED DECISION OF ALJ STEVENS (Mailed 4/18/2022)

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

Application of Pacific Gas and Electric  
Company for Approval of  
Regionalization Proposal. (U39M).

Application 20-06-011

**DECISION APPROVING A MULTI-PARTY SETTLEMENT AGREEMENT IN  
PART AND A SOUTH SAN JOAQUIN IRRIGATION DISTRICT SETTLEMENT  
AGREEMENT IN TOTALITY**

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**Attachment A**

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**DECISION APPROVING A MULTI-PARTY SETTLEMENT AGREEMENT IN PART AND A SOUTH SAN JOAQUIN IRRIGATION DISTRICT SETTLEMENT AGREEMENT IN TOTALITY**

**1. Summary**

We approve, with conditions, the August 31, 2021 motion to adopt a multi-party settlement agreement (MPSA) among Pacific Gas and Electric Company (PG&E), the California Farm Bureau Federation, the California Large Energy Consumers Association, the Center for Accessible Technology, the Coalition of California Utility Employees, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), the Small Business Utility Advocates, and William B. Abrams. The MPSA proposes to approve PG&E's updated Regionalization Proposal, with additional conditions, to create regions for PG&E's operations designed to enhance PG&E's ability to meet its safety obligations. The MPSA is Attachment 1 to this decision.

We also approve, without conditions, a second settlement agreement (SSJIDA) between PG&E and the South San Joaquin Irrigation District, also included in the August 31, 2021 motion. The SSJIDA is Attachment 2 to this decision.

This proceeding is now closed.

**2. Regionalization Background**

Pacific Gas & Electric Company (PG&E) proposes in this Application a regionalization initiative that would divide its service area into specific regions. Regionalization would restructure elements of its operations and customer service around a regional operating model, and PG&E asserts its proposal would help the company refocus on core operations, safety, its customers, and frontline employees. PG&E asserts regionalization will also enhance its ability to meet its safety obligations.

Regional Restructuring was first proposed by PG&E in testimony it served in the Commission's investigation of PG&E's Plan of Reorganization following its 2019 filing for chapter 11 bankruptcy, Investigation (I.) 19-09-016.

On February 18, 2020, Commission President Marybel Batjer issued an Assigned Commissioner's Ruling in I.19-09-016 that formally proposed Regional Restructuring.

PG&E described a process to develop a regional restructuring plan in the testimony of Andrew Vesey, with a purpose to assure it is more responsive and accountable to the particular needs and circumstances of the customer base, improve customer service and safety at the local level, and include customer service focused metrics, such as interconnection, outage response and other localized safety issues.

Commissioner Proposal for Regional Restructuring:

Unless determined otherwise by the Commission, PG&E should create local operating regions to bring management closer to the customers they serve.

By June 30, 2020 PG&E shall file an application for approval of a proposed regional restructuring plan and take the following interim steps toward regional restructuring:

- Appoint regional officers to manage each region proposed in the application who are executive officer positions that report directly to the [Chief Executive Officer] CEO and President of PG&E.
- Provide for each region to have its own risk officer and safety officer who report to the [Chief Risk Officer] CRO and [Chief Safety Officer] CSO respectively.

PG&E will maintain these interim measures in effect until the later date of a Commission decision approving PG&E's application for a proposed regional restructuring plan and

recovery of associated costs, or a final non-appealable Commission decision denying PG&E's application.<sup>1</sup>

Ordering Paragraph 3 of Decision (D.) 20-05-053, the Decision conditionally approving PG&E's Plan of Reorganization, ordered PG&E to implement regional restructuring. That decision provided direction to PG&E in the implementation of regional restructuring, indicating

PG&E shall take steps so that by one year from the date of this decision it will be able to appoint regional executive officers to manage each region and report directly to the CEO and President of PG&E, and to appoint regional safety officers that report to the CSO. The remaining implementation schedule, including any interim steps, along with Cal Advocates' implementation proposals and PG&E's argument against the creation of regional risk officers, will be addressed in PG&E's application proceeding.<sup>2</sup>

### **3. Procedural Background**

Consistent with D.20-05-053, in June 2020 PG&E prepared an initial Regionalization Proposal that was filed and served concurrently with this Application. The initial Regionalization Proposal requested approval for PG&E to establish five new regions in its service territory headed by new regional leadership and implement a new regional organization structure that moves certain work to local regions for both scheduling and execution. PG&E proposed to monitor the success of the regions through metrics, some of which will be reviewed in another Commission proceeding, regarding PG&E's operational and safety metrics. PG&E proposed that it will use the metrics to measure the progress from this regionalization effort and course correct if necessary.

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<sup>1</sup> February 18, 2020 Assigned Commissioner's Ruling in I.19-09-016 at Appendix A at 7.

<sup>2</sup> D.20-05-053 at Ordering Paragraph 3.

The Application drew protests or responses on August 05, 2022, from East Bay Community Energy (EBCE), Small Business Utility Advocates (SUBA), Marin Clean Energy (MCE), South San Joaquin Irrigation District (SSJID), The Public Advocates Office of the California Public Utilities Commission (Cal Advocates), The Utility Reform Network (TURN), Center for Energy Efficiency and Renewable Technologies (CEERT), California Large Energy Consumers Association (CLECA), California Farm Bureau Federation (CFBF), Pioneer Community Energy (Pioneer), Energy Producers and Users Association (EPUC), City of San Jose, Coalition of California Utility Employees, and City and County of San Francisco (CCSF). On August 17, 2020, PG&E filed a reply to the protests and responses.

On October 2, 2020, the assigned Commissioner issued a Scoping Memo and Ruling.

On December 23, 2020, the Presiding Officer issued a ruling amending the procedural schedule. In compliance with that ruling, on February 26, 2021, PG&E filed an updated Regionalization Proposal reflecting changes made in response to comments on the initial Regionalization Proposal from parties to the proceeding, customers, and other stakeholders. On July 9, 2021, PG&E filed a summary of this Regionalization Proposal as directed by the Administrative Law Judge (ALJ).

In accordance with Rule 12.1, a notice of settlement conference was provided, and a settlement conference was held by the Settling Parties on August 19, 2021.

On August 31, 2021, PG&E, CFBF, CLECA, Center for Accessible Technology, Coalition of California Utility Employees, Cal Advocates, SBUA, and William B. Abrams (Settling Parties) moved for approval of the MPSA. On



the same day, PG&E and SSJID moved for approval of the second settlement agreement (SSJIDA). On September 10, 2021, TURN and, jointly, Pioneer and Valley Clean Energy filed comments on the motion for settlement agreements. On September 17, 2021, the Settling Parties and SSJID filed reply comments on the proposed settlements.

#### **4. Issues Before the Commission**

On October 2, 2020, the assigned Commissioner issued a Scoping Memo that identified the following specific issues in the scope:

- Whether PG&E should be authorized to implement its Regionalization Proposal, as modified in this proceeding;
- Whether PG&E's proposed five regional boundaries are reasonable;
- Whether PG&E's proposals for regional leadership and a regional organizational structure are consistent with the Commission's direction;
- Whether PG&E's proposed implementation timeline for regionalization is reasonable;
- Whether PG&E's regionalization proposal is reasonable, including its impact on safety and its cost effectiveness;
- The adequacy and completeness of PG&E's regionalization plan;

This decision focuses on the two settlements that were filed concurrently on August 31, 2021.

#### **5. Overview of the Updated Regionalization Proposal**

On February 26, 2021, PG&E filed an updated Regionalization Proposal that it asserts was developed after consideration of input received at multiple workshops discussing the initial Regionalization Proposal. On July 9, 2021, in response to an ALJ ruling, PG&E filed a summary of the updated

Regionalization Proposal, wherein it indicates that “the purpose of regionalization is to establish [a] stronger local presence by developing new regions within [its] service territory and deploying an accountable, capable, and empowered regional leadership team within each region. The regional leadership teams – each headed by a Regional Vice President – will understand and act quickly on the needs and priorities of local communities.”<sup>3</sup> PG&E proposes to achieve this vision through, in part, the implementation of the Lean Operating System<sup>4</sup> within its corporate operations.

### **5.1. Geographic Boundaries of the Proposed Regions**

The five regions PG&E proposes in the updated Regionalization Proposal, as reflected in the map below, are North Coast, North Valley/Sierra, Bay Area, South Bay/Central Coast, and Central Valley.<sup>5</sup> PG&E notes that the regions are coterminous with county boundaries and selection of these regions was developed through consideration of other characteristics like weather, customer demographics, and operational characteristics. PG&E indicated that a large segment of its employee population is already permanently deployed in local areas, and these regions will be able to build upon existing divisions that have already been developed within the company. PG&E noted that by “keeping existing divisions, PG&E will minimize disruption to operations and preserve

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<sup>3</sup> July 9, 2021 PG&E’s Summary of the Updated Regionalization Proposal at A-1.

<sup>4</sup> In the updated Regionalization Proposal at 8, PG&E explains that the four crucial elements of the Lean Operating System are Visual Management, Operational Reviews, Problem Solving, and Standard Work.

<sup>5</sup> See Figure 1 for a visual representation of the proposed regional boundaries.

continuity with historical performance metrics to show trends in regional performance going forward."<sup>6</sup>

**Figure 1: PG&E's Updated Proposed Geographic Regions<sup>7</sup>**



## 5.2. Assignment of Responsibilities to the New Regions

PG&E indicates that regionalization will take hold as the company transitions from being organized around specific commodities (electricity and natural gas) to being organized by functions in each region. PG&E notes that the

<sup>6</sup> PG&E's updated Regionalization Plan, Filed February 26, 2021 at 34.

<sup>7</sup> PG&E's updated Regionalization Plan, Filed February 26, 2021 at Appendix A, Figure 7.

regional leadership will coordinate across working groups organized by function, and the leadership will use the Lean Operating System process as the framework to coordinate and communicate to address specific issues.

### **5.3. Implementation of Regionalization**

PG&E proposed a three phased approach for the implementation of regionalization.

The first phase involves creating a regionalization design and transition plan. This also includes the finalizing of a regional framework and the hiring of regional leadership.

The second phase involves implementing the regional boundaries and adopting the Lean Operating System. The regional leadership will be installed in the regions and will assess the local systems and processes and establish goals to improve the effectiveness of those systems and processes.

The third phase involves refining the regional model and sustaining the Lean Operating System. This is considered for the period of 2023 and beyond wherein the regional teams will continue to assess, refine, and collaborate with the functional groups to improve efficiency, safety, reliability, and customer service.

### **5.4. Estimated Incremental Cost of Regionalization**

The estimated cost of PG&E's Updated Regionalization Plan is segmented into three specific areas: human resources, information technology, and real estate. PG&E estimates the total costs to be between \$24.6 million and \$32.6 million. At this time PG&E does not propose any incremental costs related to real estate.

#### **5.4.1. Human Resources Costs**

PG&E estimates that there will be an incremental cost of \$8.6 million for years 2021 through 2023 for human resources. This figure includes the salaries for the five regional vice presidents, 20 principal level regional staff, two executive assistants for the regional vice presidents, staffing for a regionalization program management office, and five regional safety directors. PG&E proposes that all costs, except for the regional safety directors, be allocated to 55% electric distribution and 45% gas distribution. PG&E proposes that the human resources costs for the regional safety directors be allocated as common costs based on the operations and maintenance labor factors, currently allocated 70% to electric distribution and 30% gas distribution. PG&E also indicates that the costs for these positions will be recorded in the Regional Plan Memorandum Account through 2022 and have been included in the 2023 General Rate Case.

#### **5.4.2. Information Technology Costs**

PG&E estimates incremental costs of \$16 million to \$24 million for information technology improvements. PG&E notes that it has more than 1,300 systems that run the business and modifying these systems to incorporate the new regionalization paradigm will incur costs for modification.

PG&E developed these estimates through engagement with internal information technology leadership, and it proposes a 55% electric distribution 45% gas distribution split for cost recovery. PG&E indicated the IT costs would be recorded in the Regional Plan Memo Account for later cost recovery.

#### **5.4.3. Real Estate Costs**

In its proposal, PG&E does not include costs relative to real estate for regional headquarters or other workplaces needed for localized staff. PG&E states it will reassess the need for such workplaces for beyond 2022 if it is not

able to utilize existing assets or remote working to alleviate need for additional real estate.

## **6. Settlement Terms, Conditions, and Parties**

On August 31, 2021, parties filed a motion seeking Commission approval of two separate settlements in this proceeding. These two settlements include the Multi-party Settlement Agreement, the MPSA, and the South San Joaquin Irrigation District settlement agreement, the SSJIDA.

### **6.1. Parties to the MPSA and SSJIDA**

Parties to the MPSA are PG&E, California Farm Bureau Federation (CFBF), Center for Accessible Technology (CforAT), Coalition of California Utility Employees (CUE), the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), Small Business Utility Advocates (SBUA), and William B. Abrams. Parties to the SSJIDA are PG&E and SSJID.

The Settling Parties, for the two agreements, represent the interests of PG&E and a variety of other interests. Cal Advocates represents the diverse interests of consumers of gas and electricity, including low-income consumers. CFBF represents the interest of farmers, ranchers, and agricultural customers. CLECA represents the interests of large, high load factor, and high voltage industrial customers. CforAT represents the interests of customers with disabilities. SBUA represents the interests of small businesses. CUE represents the interests of utility employees represented by unions. SSJID represents the interests of a local irrigation district and its customers. William B. Abrams represents the interests of individual customers.

### **6.2. MPSA Terms and Conditions**

A major proposal developed in the MPSA is the formation of a Regionalization Working Group. The terms of the settlement are clear that this

working group will not have decision-making authority, rather the purpose is to “provide additional perspectives to PG&E in its implementation of regionalization.”<sup>8</sup>

The MPSA is included as Attachment 1 to this Decision. The primary provisions of the MPSA are as follows:

- PG&E is authorized to implement regionalization as described in the Updated Regionalization Proposal.
- PG&E will support the formation of a Regionalization Stakeholder Group. This group will serve as an advisory group to provide additional perspective to PG&E as it advances through the implementation of regionalization.
- Parties request the Commission to allow eligible participants in the Regionalization Stakeholder Group to have the opportunity to seek intervenor compensation from the Commission for their participation in the group meetings.
- The Regionalization Stakeholder Group will consist of the parties to the Proceeding who are signatories to this Settlement Agreement, or who otherwise, in advance of their participation, agree in a separate writing delivered to PG&E, to the scope, purpose, procedures and protocols for the Regionalization Stakeholder Group included in the Settlement Agreement.
- PG&E will prepare quarterly reports summarizing updates to its implementation of regionalization and serve the reports on the service list for the Proceeding.
- PG&E will develop metrics that will be reported regionally to the Regionalization Stakeholder Group, including but not limited to the Safety Performance Metrics and Safety and Operational Metrics adopted in Rulemaking 20-07-013, by the conclusion of Phase II of the implementation schedule for the regionalization plan.

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<sup>8</sup> August 31, 2021 Joint Motion for Approval of Settlement Agreements at 10.

- The Regional Vice Presidents will, at least once every General Rate Case cycle, establish public goals, metrics, and priorities for their respective regions and will also seek input from community based organizations.
- PG&E will host two public workshops in 2022 and for each year until the completion of Phase III or its regionalization implementation to provide updates to the public about its regionalization implementation progress. PG&E will coordinate the workshops with the Commission staff to the extent feasible.
- PG&E will not move operations under the direct control of the Regional Vice Presidents, Regional Safety Directors, or their successors for a period of two years from the date of the Commission Decision adopting the Multi-Party Settlement Agreement.
- The settling parties request that the proceeding will be left open.

### **6.3. SSJIDA Terms and Conditions**

In the PG&E/SSJID Settlement Agreement, PG&E and SSJID each acknowledge the other's positions and PG&E clarifies and confirms that its implementation of regionalization as managed by its Regionalization Program Management Office (Regionalization PMO) will not include any work to oppose SSJID's municipalization efforts. SSJID also acknowledges that PG&E, including the Regional Vice Presidents, Regional Safety Directors and their staff may continue to respond to SSJID's municipalization efforts in other forums and proceedings separate from the regionalization proceeding and/or implementation of the Updated Regionalization Proposal. The Regionalization PMO will document in writing the separation maintained between the implementation of the regionalization plan and PG&E's response to SSJID's municipalization efforts and will make available the documentation to the Commission and SSJID upon written request of either entity.



## 7. Party Objections to the MPSA

Two parties to the proceeding have objected to the MPSA. TURN argues that the MPSA should not be approved unless PG&E first provides data on the anticipated safety impact of the updated Regionalization Proposal. As TURN points out, the MPSA asks the Commission:

...to approve the entirety of PG&E's Regionalization Plan first, then PG&E will provide safety metrics and targets later, by the conclusion of Phase II of its Regionalization Plan (and even then, PG&E will only provide these metrics to the Regionalization Stakeholder Group and not the public).<sup>9</sup>

While PG&E and the Settling Parties argue that the safety impacts of the Updated Regionalization Plan can only be assessed after it is in place, TURN argues, to the contrary, that:

The Commission has for many years emphasized the importance of incorporating a risk-based decision framework into the evaluation of IOU proposals.... This framework allows a utility to determine, among other attributes, the safety impact of a proposed program or project. In 2020, PG&E filed a Risk Assessment and Mitigation Phase Report using this framework to assess numerous proposed programs and projects. Hence, estimating the safety impacts of programs and projects is not new to PG&E.<sup>10</sup>

The other objection to the MPSA was filed by Pioneer/VCE. It echoed TURN's concern that implementing the updated Regionalization Plan without an estimate of its safety impacts is not in the public interest, stating:

Without metrics and data-driven safety impact projections there is little factual basis for determining that PG&E's proposal is reasonable.<sup>11</sup>

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<sup>9</sup> TURN Response to Joint Motion for Approval of Settlement Agreements at 5.

<sup>10</sup> *Ibid.*

<sup>11</sup> Pioneer/VCE Response to the Joint Motion for Approval of Settlement Agreements at 12.

## **8. Issues Raised by SSJID**

SSJID filed comments in this proceeding raising concerns regarding PG&E's implementation of its updated Regionalization Proposal and potential competitive implications thereof with respect to SSJID's municipalization efforts. PG&E responded that its regionalization efforts are completely unrelated to municipalization efforts. The SSJIDA memorializes PG&E's response and with that commitment, SSJID supports the SSJIDA settlement.

## **9. Commission Review of the MPSA**

The updated Regionalization Proposal creates the regionalized structure envisioned by Ordering Paragraph 3 of D.20-05-053, together with a process for measuring the safety-related performance of the new, regionalized PG&E versus the old, centralized PG&E. The MPSA proposes to adopt the updated Regionalization Proposal with additional terms. There are many paths for PG&E to fulfil its obligation pursuant to Ordering Paragraph 3 of D.20-05-053, and the updated Regionalization Proposal is one path.

The requirements for adopting a settlement are set forth in Rule 12.1. We must determine whether the settlement complies with Rule 12.1(d), which requires that a settlement be "reasonable in light of the whole record, consistent with law, and in the public interest."

While our policy is to favor the settlement of disputed applications, our standard of review for settlements is designed to ensure that settlements meet a standard of reasonableness in light of the law and the record of the proceeding. If a settlement is unreasonable, we will not be persuaded to approve unreasonable settlements simply because of a general policy favoring the approval of settlements. There are several attributes that can render a settlement unreasonable. One such attribute is the presence of significant deviations from

Commission findings, policies, and practices that are not adequately explained and justified in the motion for the settlement's adoption. Another such attribute is the lack of demonstration that the settlement fully and fairly considered the interests of all affected entities – both parties and non-party entities such as affected customers.

The Settling Parties requested that the Commission adopt the MPSA without modification. As we will explain in detail, many provisions of the MPSA are reasonable, however, certain provisions of the MPSA do not meet the standard set in Rule 12.1(d) and are unreasonable as proposed. Therefore we provide modifications to the MPSA as an alternate path forward for resolution of this Application.

**9.1. Membership Eligibility of the Regionalization Working Group Should be Expanded Beyond the Parties that Participated in this Proceeding**

Section 32 of the proposed MPSA outlines the settling parties' position on who may participate in the proposed Regionalization Working Group to formalize a feedback mechanism between external stakeholders and the PG&E leadership responsible for implementing regionalization.

32. The Regionalization Stakeholder Group will consist of the parties to the Proceeding who are signatories to this Settlement Agreement, or who otherwise, in advance of their participation, agree in a separate writing delivered to PG&E, to the scope, purpose, procedures and protocols for the Regionalization Stakeholder Group included in Sections 1, 2, 9, 15, 18-22 and 25-34 of this Settlement Agreement.<sup>12</sup>

Given the scale of issues at play in the implementation of a regionalization model within PG&E's service territory, it is not in the public interest to limit

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<sup>12</sup> August 31, 2021 Joint Motion for Approval of Settlement Agreements at Attachment 1, at 7.

participation in the proposed Regionalization Working Group solely to parties to this proceeding. There may be interested stakeholders that could provide necessary insight into specific or broad elements of PG&E's regionalization effort that have yet to initiate participation in this proceeding. Excluding those voices from participating in a stakeholder effort like the proposed Regionalization Working Group is counter to open and transparent public participation.

For that reason, we reject the element of Section 32 of the proposed MPSA that limits participation in the Regionalization Working Group solely to parties to this proceeding on the basis that it is not in the public interest. We agree that the scope of the participation in the Regionalization Working Group should be limited to the enumerated sections of the Settlement that are included in Section 32, and it is reasonable to receive acknowledgement from all participants that the scope shall be limited as such.

**9.2. The Intervenor Compensation Issues the Parties Raise Are Not Appropriately Raised Here and Should be Addressed in a Request for Intervenor Compensation**

Section 15 of the proposed MPSA outlines the settling parties' position on the potential for eligible parties to receive intervenor compensation for activity that occurs in the Regionalization Working Group.

15. The Regionalization Stakeholder Group will provide PG&E with the valuable perspectives of stakeholders during the implementation of regionalization. Therefore, the Parties request the Commission to allow eligible participants in the Regionalization Stakeholder Group to have the opportunity to seek intervenor compensation from the Commission for their participation in the group meetings. Any such request shall be submitted to the Commission in the Proceeding.<sup>13</sup>

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<sup>13</sup> August 31, 2021 Joint Motion for Approval of Settlement Agreements at Attachment 1, at 3.

The framework for awarding intervenor compensation for activity before the Commission is complex, and this section of the proposed MPSA is beyond the scope of this proceeding.

Public Utilities Code Section 1801.3(d) allows intervenors to be compensated “for making a substantial contribution to proceedings of the commission, as determined by the commission in its orders and decisions, regardless of whether a settlement agreement is reached.” It is unclear how participation in the Regionalization Stakeholder Group will meet this statutory standard and there is an insufficient record before the Commission for it to address the parties’ request. Therefore, the request that the Commission authorize eligibility for intervenor compensation in advance is denied without prejudice.

### **9.3. The Proceeding Should be Closed**

Section 11 of the proposed MPSA outlines the settling parties’ request for the Commission to leave the proceeding open until the conclusion of Phase III of the updated Regionalization Proposal, which is signaled to potentially be June 30, 2023. Phase III involves refining the regional model and sustaining the Lean Operating System.

11. The Parties request that the Commission leave the Proceeding open until the end of Phase III, which is scheduled to end on June 30, 2023. PG&E will file a motion to request that the proceeding close when it completes Phase III.<sup>14</sup>

The MPSA outlines some of the settling parties’ reasoning behind this section, indicating their position that if “the Commission leaves the proceeding open, any party may seek relief from the Commission concerning performance

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<sup>14</sup> August 31, 2021 Joint Motion for Approval of Settlement Agreements at Attachment 1, at 2.

failures by any other party pursuant to the Multi-Party Settlement Agreement (MPSA), provided however, that the party seeking relief must have attempted to informally resolve its concern with the other party(s) through the process provided in Section III(17) of the Multi-Party Settlement Agreement.”<sup>15</sup>

Upon the issuance of this decision, there will be no remaining issues scoped into this proceeding that are yet to be addressed by the Commission. There are pre-existing procedural pathways at the Commission for parties to seek to modify previous decisions or seek other forms of relief that do not necessitate leaving a proceeding open to address unidentified potential future concerns.

Rather, it is in the public interest for the Commission to resolve proceedings on a timely basis and open new forums with all noticing requirements and rights provided to parties when future issues arise that necessitate Commission action.

For that reason, we deny the settling parties’ request in Section 11 of the proposed MPSA that the Commission leave this proceeding open until the completion of Phase III of the updated Regionalization Proposal, potentially June 30, 2023, on the basis that it is not in the public interest. This decision will close the proceeding.

#### **10. Commission Review of the SSJIDA**

Municipalization is not an issue that was scoped into this proceeding, although we agree that there is an element of inherent overlap between the direction PG&E is proposing with its updated Regionalization Proposal and efforts within its service territory to municipalize.

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<sup>15</sup> August 31, 2021 Joint Motion for Approval of Settlement Agreements at 11.

In reviewing the record, we believe the terms that were negotiated in the SSJIDA are reasonable as they stand and were submitted to the Commission in the August 31, 2021 motion.

## **11. Requirements for Approval of Settlement Agreements**

We review the settlements with the modifications and conditions outlined in this decision.

### **11.1. Standard for Settlements**

Commission's Rule 12.1(d) sets for the standard for approval of settlements: The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

We have frequently endorsed settlements as an "appropriate method of alternative ratemaking" and we have expressed a strong public policy favoring settlements if they are fair and reasonable in light of the whole record.<sup>16</sup> We have recognized that settlements support a number of worthwhile policy goals including reducing the expense and uncertainty of litigation and conserving valuable Commission resources.<sup>17</sup>

### **11.2. With the Modifications Adopted in this Decision, the Settlement Agreements are Reasonable in Light of the Whole Record**

With the modifications and conditions on the MPSA enumerated in section 8 of this decision, the Settlement Agreements are reasonable in light of the whole record. The Settling Parties are knowledgeable and experienced regarding the issues in the regionalization proceeding and represent distinct and

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<sup>16</sup> See, e.g., D.05-10-041 at 57; D.15-03-006 at 6; D.15-04-006 at 8.

<sup>17</sup> See D.14-12-040 at 15.

affected interests. The Settling Parties all have been active parties in this proceeding.

PG&E developed its updated Regionalization Proposal after two iterations and extensive feedback and comments received from Settling Parties and others. PG&E conducted two workshops to introduce the two iterations of its regionalization plan, in which the Settling Parties participated and provided input and comments. The Settling Parties reached agreement after a series of settlement negotiation meetings, discovery, careful analysis of issues, and settlement discussions.

We disagree with TURN that the updated Regionalization Proposal should not be approved. As PG&E and the Settling Parties pointed out in their Joint Reply to Opening Comments on the Settlement Agreements,<sup>18</sup> the Commission has already determined that metrics are not in the scope of the proceeding. In the assigned Commissioner's Scoping Memo, Commissioner Batjer determined that the adoption of safety metrics is out of scope,<sup>19</sup> ruling instead that:

At this time, it does not appear that attempting to develop regionalization-specific metrics in this proceeding would be a good use of the parties' or the Commission's time, particularly since safety and operational metrics will be addressed in another proceeding, and this proceeding should neither duplicate nor conflict with that proceeding. Accordingly, the development of regionalization-specific metrics is not in the current scope of this proceeding.<sup>20</sup>

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<sup>18</sup> Joint reply of Pacific Gas and Electric Company (U39M), California Farm Bureau Federation, California Large Energy Consumers Association, Center for Accessible Technology, Coalition of California Utility Employees, and South San Joaquin Irrigation District, to opening comments on the settlement agreement at 7-8.

<sup>19</sup> Scoping Memo at 4.

<sup>20</sup> *Ibid.*



The non-settling Parties raised various other issues that have been resolved in the MPSA. The important question of how to monitor PG&E's performance under regionalization has been addressed by the formation of a Regionalization Stakeholder Group as an advisory group. The Commission and all stakeholders may address PG&E's safety performance in many other proceedings.

In addition, PG&E will host two public workshops in 2022 and for each year until the completion of Phase III of its regionalization implementation to provide updates to the public about its regionalization implementation progress. PG&E shall coordinate the workshops with the appropriate Commission staff for maximum notice and impact.

Safety will remain of paramount performance. When PG&E does not act in the interest of public safety, the Commission will step in. Nothing in this decision has any negative impact on the Commission's enforcement or other regulatory authority

With respect to the overall agreements by the Settling Parties regarding the matters of concern raised by the Settling Parties in this proceeding, all disputed issues have been resolved. Moreover, the record in this proceeding, including the diverse set of concerns and interests advocated for by the Settling Parties, and the Settling Parties' iterative process to reach agreement on each particular issues raised by them, leave the Settling Parties convinced that it is in their mutual interest to adopt the Settlement Agreement and that the Settlement Agreement is reasonable in light of the whole record and reflects a reasonable balance of the various interests affected by this proceeding.

### **11.3. The Settlement Agreements are Consistent with the Law**

With the modifications and conditions on the MPSA enumerated in section 8 of this decision, the Settlement Agreements comport with relevant statutes, rules, and Commission decisions. Nothing in this decision or the MPSA alters this Commission's authority to regulate and enforce the safety of PG&E's activity.

Procedurally, the settlement process was conducted in accordance with Article 12 of the Rules. Notice of a settlement conference was provided, as required by Rule 12.1(b), and a settlement conference was conducted by the Settling Parties on August 19, 2021. Substantively, the Settling Parties believe that no term of the Settlement Agreements contravenes statutory provisions or prior Commission decisions.

### **11.4. The Settlement Agreements are in the Public Interest**

With the modifications and conditions on the MPSA enumerated in section 8 of this decision, the Settlement Agreements are in the public interest.

The Commission has a "long-standing policy favoring settlements."<sup>21</sup> As the Commission has stated, the "Commission favors settlements because they generally support worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results."<sup>22</sup> The Commission has held that a settlement that "commands broad support among participants fairly

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<sup>21</sup> D.10-06-038 at 38.

<sup>22</sup> D.10-12-035 at 58.

reflective of the affected interests” is an important factor in the “public interest” criterion.<sup>23</sup>

The Settlement Agreements are also in the public interest because they resolve all disputed issues among the Settling Parties and provide clear direction forward for the full implementation of regionalization with the resulting benefits of improved customer service, safety and operational reliability to be delivered to PG&E customers without the potential delay of continued regulatory process.

The MPSA is sponsored by PG&E, CFBF, CLECA, CforAT, CUE, Cal Advocates, SBUA, SSJID, William B. Abrams and the PG&E/SSJID Settlement Agreement is sponsored by PG&E and SSJID. Therefore, the Settlement Agreements are supported by active participants who fairly reflect the affected interests, and they do not contravene statutory provisions, as discussed above. Although TURN and VCE opposed the settlement agreement, not all parties must join a settlement for it to be approved by the Commission. All Settling Parties seek a fair and balanced resolution of this matter and support adoption of the Settlement Agreements as such. Together, the Settling Parties’ collective agreement to recommend adoption of the Settlement Agreements supports the notion that the settlement is in the public interest.

## **12. Modification and Denial of Components of the MPSA**

Rule 12.4 provides that the Commission may reject a proposed Settlement Agreement whenever it determines that the settlement is not in the public interest. Since we are rejecting a portion of the MPSA, we must allow the Settling Parties to do one of the following:

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<sup>23</sup> See Decision Approving Settlement Agreement for Southern California Edison Company’s and Pacific Gas and Electric Company’s Economic Development Rate Program (D.10-06-015), (June 3, 2010) at 11-12, citing 1992 Cal. PUC LEXIS 867 at 16.

- a. Hold hearings on the underlying issues, in which case the parties to the settlement may either withdraw it or offer it as joint testimony,
- b. Allow the parties time to renegotiate the settlement,
- c. Propose alternative terms to the parties to the settlement which are acceptable to the Commission and allow the parties reasonable time within which to elect to accept such terms or to request other relief.

Although we are not adopting the Multi-Party Settlement Agreement in totality, we have proposed alternative terms to the parties which are acceptable and reasonable to the Commission. In their comments, the Settling Parties shall address whether these terms are acceptable or whether they wish to request other relief.

The only term that is not being adopted as written is the provision of Section 32 of the MPSA that limits participation in the Regionalization Working Group to parties to this proceeding.

Regarding Section 15 of the MPSA, the Settling Parties requested that the Commission allow eligible participants in the Regionalization Stakeholder Group to have the opportunity to seek intervenor compensation for participation. In this decision, the Commission declines to pre-authorize eligibility for intervenor compensation prior to a showing of substantial contribution consistent with the statutes governing intervenor compensation. In addition, this request is beyond the scope of the proceeding and therefore denied without prejudice. Since the MPSA does not include an actual request for intervenor compensation, the Commission's action is not a modification to the MPSA as written.

The same situation arises with Section 11 of the MPSA, wherein the Parties request that the Commission leave the Proceeding open until the end of Phase III. The Commission is explicitly denying this request; however this denial does not

necessitate the modification of the text of the MPSA as submitted to the Commission in the August 31, 2021 motion.

### **13. Comments on Proposed Decision**

The proposed decision of ALJ Stevens in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on \_\_\_\_\_, and reply comments were filed on \_\_\_\_\_ by \_\_\_\_\_.

### **14. Assignment of Proceeding**

Alice Reynolds is the assigned Commissioner and Brian Stevens is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. D.20-05-053 ordered PG&E to pursue regional restructuring of components of its operations and customer service functions as a condition of Commission approval of its emergence from Chapter 11 bankruptcy and ordered PG&E to file an Application with an accompanying Regionalization Proposal.

2. PG&E filed an initial Regionalization Proposal concurrently with the Application under consideration in this proceeding, and after a stakeholder process conducted in coordination with the Commission's advisory staff, PG&E filed an updated Regionalization Proposal that incorporated input from the stakeholder process.

3. The Settlement Agreements are the product of arm's length negotiations between well-informed and competently represented parties.

4. The five regions outlined in PG&E's updated Regionalization Proposal are North Coast, North Valley/Sierra, Bay Area, South Bay/Central Coast, and Central Valley - regions that are coterminous with county boundaries and were

developed with consideration of issues like weather, customer demographics, and operational characteristics.

5. Adoption of the MPSA would authorize the three proposed phases of the implementation of regionalization: first involving the regionalization design and transition plan, second involving the implementation of the regional boundaries and implementation of the Lean Operating System, and third involving refining the Lean Operating System and ensuring sustainability of the initiative.

6. Adoption of the MPSA would incur estimated costs, segmented by human resources, information technology, and real estate, between \$24.6 million and \$32.6 million.

7. A group of Settling Parties provided notice for a settlement conference, and a settlement conference was held by the Settling Parties on August 19, 2021.

8. The settling parties, PG&E, CFBF, CLECA, Center for Accessible Technology, Coalition of California Utility Employees, Cal Advocates, SBUA, and William B. Abrams, adequately represent the broad set of interests participating in this proceeding.

9. Under the MPSA, there would be implementation of a Regionalization Working Group with participation restricted to the parties to this proceeding.

10. Under the MPSA, eligible participants to the Regionalization Working Group may seek intervenor compensation for participation in the working group.

11. Under the MPSA, the settling parties request for the Commission to leave the proceeding open through the third phase of the Updated Regionalization Proposal with the stated purpose of it acting as a venue to resolve disputes that might arise between PG&E and the participants.

12. Public Utilities Code Section 1801.3(d) allows intervenors to be compensated “for making a substantial contribution to proceedings of the commission, as determined by the commission in its orders and decisions, regardless of whether a settlement agreement is reached.”

13. There is an insufficient record before the Commission for it to address the parties’ request about intervenor compensation.

14. Under the MPSA, the Regionalization Working Group will not have decision-making authority, but instead will provide PG&E with additional perspectives on its implementation of regionalization.

15. The formation of the Regionalization Working Group and the inclusion of public workshops will serve as a mechanism to monitor PG&Es performance in the implementation of its updated Regionalization Proposal.

16. With adoption of the SSJIDA, PG&E clarifies and confirms that its implementation of regionalization as managed by its Regionalization Program Management Office will not include any work to oppose SSJID’s municipalization efforts.

17. Metrics, including those related to safety, are not in the scope of the proceeding and are to be addressed in relevant other proceedings at the Commission with a more core responsibility of developing and analyzing metrics.

18. The requirements for adopting a settlement are set forth in Rule 12.1, wherein the Commission must determine whether the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

19. The Regionalization Working Group, as proposed in the MPSA, may serve as a beneficial function to assist PG&E in a successful implementation of the updated Regionalization Proposal. However, participation of entities and

individuals that are not parties to this proceeding would likely allow for a broader perspective to PG&E that may result in greater value to ratepayers.

20. Once there are no defined remaining issues in consideration in a proceeding, it is in the public interest for the Commission to close the proceeding, including to conserve Commission resources and to provide comprehensive due process in the institution of new proceedings.

21. The terms that were negotiated in the SSJIDA are reasonable as they stand and were submitted to the Commission in the August 31, 2021 motion.

22. The Settlement Agreements resolve all contested issues among the Settling Parties.

23. The Settlement Agreements facilitate the timely implementation of PG&E's updated Regionalization Proposal.

24. With the modifications and conditions outlined in this decision, the MPSA and SSJIDA are reasonable in light of the whole record, consistent with law, and in the public interest.

### **Conclusions of Law**

1. The August 31, 2021 MPSA, as modified by this decision, is consistent with the law.

2. The August 31, 2021 MPSA, as modified by this decision, is in the public interest.

3. The August 31, 2021 MPSA, as modified by this decision, should be approved.

4. Settlement Agreements need not be supported by all parties to a proceeding in order to win approval.



5. The proposed Regionalization Working Group is in the public interest and, along with other terms in the MPSA, will serve as an oversight function in PG&E's implementation of regionalization.

6. The updated Regionalization Proposal of PG&E should be adopted.

7. Limiting participation in the Regionalization Working Group solely to parties to this proceeding may unfairly limit input to PG&E in the implementation of regionalization and is not in the public interest.

8. The request that the Commission authorize eligibility for intervenor compensation in advance of any requests for intervenor compensation should be denied without prejudice.

9. With all contested issues being resolved by the Settling Parties, it is in the public interest for the Commission to close this proceeding.

10. Issues pertaining to metrics were not scoped into this proceeding.

11. The August 31, 2021 SSJIDA is consistent with the law.

12. The August 31, 2021 SSJIDA is in the public interest.

13. The August 31, 2021 SSJIDA should be approved.

## **O R D E R**

### **IT IS ORDERED** that:

1. The August 31, 2021 Multi-party Settlement Agreement among Pacific Gas and Electric Company, the California Farm Bureau Federation, the California Large Energy Consumers Association, the Center for Accessible Technology, the Coalition of California Utility Employees, the Public Advocates Office at the California Public Utilities Commission, the Small Business Utility Advocates, and William B. Abrams is adopted with modification and approved.

2. Section 32 of the August 31, 2021 Multi-party Settlement Agreement is modified to allow for participation in the Regionalization Working Group by any interested party, rather than limiting participation to parties to this proceeding.

3. The Commission denies the request made in Section 11 of the August 31, 2021 Multi-party Settlement Agreement for the proceeding to remain open until the conclusion of Phase III of the Updated Regionalization Proposal is complete.

4. The request, in Section 15 of the Multi-party Settlement Agreement, that the Commission authorize eligibility for intervenor compensation in advance is denied without prejudice.

5. The Settlement Agreement between Pacific Gas and Electric Company and the South San Joaquin Irrigation District is adopted without modification and approved.

6. Application 20-06-011 is closed.

This order is effective today.

Dated \_\_\_\_\_, at Sacramento, California.