California Public Utilities Commission
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CPUC PENALIZES PG&E $2 BILLION FOR 2017 AND 2018 WILDFIRES

SAN FRANCISCO, May 7, 2020 – The California Public Utilities Commission (CPUC) today imposed $1.937 billion in penalties against Pacific Gas and Electric Company (PG&E), the largest penalty ever assessed by the CPUC, for the utility's role in the catastrophic 2017 and 2018 wildfires. Resolving this investigation is an important step for PG&E to emerge from bankruptcy.

Today's Decision approves with modifications a settlement between PG&E, the CPUC's Safety and Enforcement Division and Office of the Safety Advocate, and the Coalition of California Utility Employees. The Decision increased the penalty amount in the settlement by $262 million due to the pervasive nature of the identified violations and unprecedented harm caused by PG&E, including loss of life, that resulted from the wildfires. In addition, any realized tax savings associated with shareholder-funded operating expenses under the modified settlement agreement will be returned to PG&E customers. Although these ratepayer benefits are uncertain, PG&E estimates that these benefits may be $425.5 million.

The CPUC's Commissioners give final approval of settlements and may include modifications, however, the settlement process requires agreement to modifications by all the settlement parties. Over the course of this process the CPUC improved the terms of the settlement to better benefit PG&E ratepayers through an initial proposal on February 27, 2020 from a CPUC Administrative Law Judge, and a subsequent proposal by Commissioner Clifford Rechtschaffen issued on April 20, 2020.

The penalties of $1.937 billion imposed on PG&E consist of:

- $1.823 billion in disallowances for wildfire-related expenditures (an increase of $198 million from the original settlement agreement), meaning that PG&E shareholders will pay the cost of expenditures that it would otherwise seek to recover from customers.
- $114 million in System Enhancement Initiatives and corrective actions to further protect public safety (an increase of $64 million from the settlement agreement), including:
  - Root cause analysis for wildfires where ignition involved PG&E facilities, and the implementation of recommended actions to prevent similar events;
  - Funding local Fire Safe Councils that focus on community-based wildfire prevention and mitigation efforts; and,
  - Funding to the California Foundation for Independent Living Centers to support the safety and welfare of vulnerable customers before, during, and after disasters and Public Safety Power Shut-off events.

The Decision also imposes a $200 million fine, with the obligation to pay permanently suspended, in order to ensure that payment of the fine does not reduce the funds available to satisfy the claims of wildfire victims and given the unique circumstances of PG&E's bankruptcy.

As a result of the Decision's disallowances of cost recovery, PG&E residential customers should save approximately 3 percent on their bills in 2021 and beyond.

"The scope of the devastation caused by PG&E's misconduct demands this record penalty," said Commissioner Clifford Rechtschaffen. "It is one of many aggressive steps being taken by the CPUC to hold PG&E accountable for failing to keep public safety a top priority."

"This decision resolves the investigation of the catastrophic 2017 wildfires," said Commissioner Genevieve Shiroma. "As we work to harden the system and mitigate Public Safety Power Shut-offs, I was pleased to see the inclusion of a Request For Information in the settlement intended to identify non-diesel generators capable of meeting a range of use cases, including planned outages and temporary microgrids."

The wildfires that occurred in Northern California in October 2017 and November 2018 were unprecedented in size, scope, destruction, and loss of life. At the peak of the October 2017 Fire

Siege there were 21 major wildfires that, in total, burned 245,000 acres. Eleven thousand firefighters battled the fires that forced 100,000 people to evacuate, destroyed an estimated 8,900 structures, and took the lives of 44 people (including 22 people during the Tubbs fire for which PG&E equipment is not implicated). In the early morning hours of November 8, 2018, the Camp Fire ignited in Butte County, resulting in approximately 153,336 acres burned, destruction of the town of Paradise, 18,804 structures destroyed, and 85 fatalities.

Following an extensive CPUC staff investigation, on June 27, 2019, the CPUC opened a formal investigation into the maintenance, operations, and practices of PG&E with respect to its electric facilities that were involved in igniting these fires, and to determine the appropriate penalties for violation of CPUC rules and regulations that were found by the CPUC's Safety and Enforcement Division. PG&E subsequently pled guilty to 84 counts of involuntary manslaughter for its role in causing the Camp Fire.

The Decision is available at:
http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M336/K236/336236538.pdf.

Documents related to this proceeding are available at:
https://apps.cpuc.ca.gov/apex/f?p=401:56:0::NO:RP,57,RIR:P5_PROCEEDING_SELECT:I1906015.

The CPUC regulates services and utilities, safeguards the environment, and assures Californians' access to safe and reliable utility infrastructure and services. For more information on the CPUC, please visit www.cpuc.ca.gov.

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