California Public Utilities Commission
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CPUC APPROVES PG&E'S REORGANIZATION PLAN, REQUIRING GOVERNANCE AND OVERSIGHT CHANGES

SAN FRANCISCO, May 28, 2020 – The California Public Utilities Commission (CPUC) today approved with conditions Pacific Gas and Electric Company's (PG&E) proposed reorganization plan pursuant to statutory requirements established in 2019 (Assembly Bill 1054) and under CPUC regulatory requirements and authority.

The CPUC's approval of the reorganization plan is an important milestone to achieving the completion of the bankruptcy process, and the compensation of victims impacted by the wildfires of 2017 and 2018. It requires PG&E to modify its governance structure and to establish local operating regions, as well as establish an enhanced oversight and enforcement process that will escalate consequences faced by PG&E if it fails to improve its safety performance. These new oversight tools and changes to PG&E's Board of Directors and management are designed to ensure PG&E will emerge from bankruptcy as a fundamentally changed company that has a commitment and ability to provide safe and reliable service and can simultaneously continue needed improvements to mitigate wildfire risk and achieve the state's climate goals.

Today's Decision adopts most of the proposals set out in CPUC President Marybel Batjer's February 18, 2020 Ruling addressing PG&E's management, board governance, and regulatory oversight. PG&E must:

- Submit to a newly established CPUC oversight framework under which PG&E's operating permit (called a Certificate of Public Convenience and Necessity, or CPCN) will be subject to ongoing review as part of an enhanced enforcement process focused on its safety performance;

- Re-orient management and the Board of Directors structures to create further safety accountability and better representation of PG&E's customers; and,
- Require regional restructuring to create local operating regions with the intent of changing PG&E's management culture to better reflect the diverse values and needs of its customers.

The Decision also includes requirements that will protect PG&E's ratepayers and ensure the utility regains solid financial footing going forward, which benefits customers. PG&E will be required to:

- Honor its commitment to not burden ratepayers with costs from pre-2019 fires, but rather propose a rate-neutral securitization to refinance those costs with rate revenue as long as it provides shareholder-backed offsets;
- Demonstrate efforts to pay down wildfire-associated debt and return to a normal utility capital structure and improved credit rating over time; and,
- Not collect from customers its professional fees incurred in the bankruptcy proceedings.

Through today's Decision, there will be a modest reduction of ratepayer costs by replacing nearly $12 billion of existing long-term debt with lower interest rates, offset by PG&E's associated financing fees.

"PG&E needs to transform into a well-run company that has at its core the safety, caring, and knowledge of its customers. This will take leadership with a vision and discipline to transform the company into a model of good corporate citizenship – where Main Street is far more important than Wall Street," said President Batjer. "Today's decision puts in place the guideposts, but to be successful, PG&E needs to embrace the need for fundamental change."

"In order to ensure safe and resilient natural gas and electric service, PG&E will require greater investments into infrastructure, maintenance, and workforce development. But we must also keep service affordable for Californians—this is especially critical now, when the COVID-19 crisis is ravaging peoples' lives and livelihoods," said Commissioner Martha Guzman Aceves. "Balancing this tension will become all the more critical as we move farther into the climate crisis. California's long-term climate goals depend on electrification, but electrification that is unaffordable is electrification that won't happen. This Decision, coupled with pending legislative action, provides the tools for replacing PG&E if they cannot maintain safe service at an affordable rate."

"The PG&E that emerges from bankruptcy must be a re-born utility with safety as its top priority. Its future depends on it," said Commissioner Clifford Rechtschaffen.

"Our decision adopts provisions that enhance safety and accountability, and equally important, follow-on requirements for customer service and quality of service," said Commissioner Genevieve Shiroma.

PG&E needs CPUC approval, as well as federal Bankruptcy Court approval, of its reorganization plan by June 30, 2020 to participate in a wildfire insurance fund established by the California Legislature last year. The fund is designed to facilitate prompt payments to future wildfire victims and benefit ratepayers by reducing the utilities' cost of financing for future investments in safety and other infrastructure improvements.

PG&E's reorganization plan provides for establishment of a $13.5 billion trust fund to pay wildfire victims. If the plan is approved by the Bankruptcy Court and becomes effective, the fund will enable victims of the devastating 2017 and 2018 wildfires to receive compensation as promptly as possible.

The proposal voted on is available at https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M338/K382/338382613.PDF.

Documents related to the proceeding are available at https://apps.cpuc.ca.gov/apex/f?p=401:56:0::NO:RP,57,RIR:P5_PROCEEDING_SELECT:I1909016 and www.cpuc.ca.gov/pgechapter11.

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