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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
(Filed August 27, 2015)

**OPENING COMMENTS OF MARIN CLEAN ENERGY
ON THE ASSIGNED COMMISSIONER'S
SCOPING MEMO AND RULING**

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Pursuant to the directions set forth in the *Assigned Commissioner's Scoping Memo and Ruling* ("Scoping Memo") issued on December 21, 2018, Marin Clean Energy ("MCE") respectfully submits the following comments on the Scoping Memo. On January 9, 2019, The Utility Reform Network ("TURN") moved to extend the due date of these comments to February 13, 2019. The TURN motion was granted by Administrative Law Judge Peter Allen on January 15, 2019. Pursuant to Rule 11.6 of the California Public Utilities Commission ("Commission" or "CPUC"), these comments are timely filed. MCE filed a motion for party status in this proceeding, which was granted via e-mail ruling on February 8, 2019.

I. INTRODUCTION

**A. MCE Seeks Strategic Reforms to PG&E to Prioritize Safety,
Decarbonization, Modernization and Equity**

MCE's priority in this proceeding is to ensure that any restructuring of Pacific Gas and Electric Company ("PG&E")¹ prioritizes safety, facilitates the state's decarbonization goals,

¹ References to PG&E in these Comments may also refer to any successor or "spin-off" of PG&E.

creates a more modern “plug and play” grid and protects the state’s most vulnerable communities. The current PG&E bankruptcy is an inflection point in the California energy industry and the Commission should use this opportunity to make structural improvements to PG&E, or any successor entity, to better position it to truly serve the public and achieve these objectives.

In these comments, MCE recommends:

- Separating PG&E’s gas and electric lines of business to improve safety and support decarbonization;
- Shifting PG&E’s electricity provider role to a wires-only company in order to focus on safety, grid modernization and decarbonization; and
- Launching a stakeholder process to determine an appropriate electricity generation framework that emphasizes safety, decarbonization and equity.

B. Procedural Posture and Current Developments

Since the issuance of the Scoping Memo, there have been significant developments related to PG&E. On January 13, 2019, PG&E and PG&E Corporation (the “Corporation” and together, “PG&E”) announced in a United States Securities and Exchange Commission Form 8-K filing that PG&E expected the Corporation and the Utility “will file for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the Northern District of California on or about January 29, 2019.”² Subsequently, on January 29, 2019, PG&E filed for bankruptcy.³

² <https://www.sec.gov/Archives/edgar/data/75488/000095015719000032/form8k.htm>.

³ *In re PG&E Corp.*, Case No. 19-30088 (Bankr. N.D. Cal. 2019) and *In re Pac. Gas & Elec. Co.*, Case No. 19-30089 (Bankr. N.D. Cal. 2019).

C. The Impact of This Proceeding on MCE

This proceeding and the significant changes expected to result from the PG&E bankruptcy process drive to the core of MCE's mission to reduce greenhouse gas ("GHG") emissions and MCE's long-standing commitment to equity. Notably, the Legislature created CCA in the wake of PG&E's last bankruptcy as an alternative model for retail electricity generation services run by local government on behalf of communities. MCE is California's first operational CCA program and began providing retail electricity service to customers on May 7, 2010. Today, MCE provides retail electricity generation services to over 470,000 customer accounts within PG&E's service territory. These communities include Marin County and Napa County. It also includes unincorporated Contra Costa County, as well as the cities of Richmond, San Pablo, El Cerrito, Walnut Creek, Lafayette, Concord, Martinez, Oakley, Pinole, Pittsburg and San Ramon and the towns of Danville and Moraga. MCE also serves the city of Benicia in Solano County and MCE recently filed an Implementation Plan with the Commission to certify expansion into unincorporated Solano County.

MCE's core mission is to address climate change by reducing energy-related GHG emissions. MCE effectuates this mission by securing clean energy supply, maximizing price stability, providing energy efficiencies and promoting local and economic workforce developments that directly benefit MCE's member communities and which also have positive ramifications for the state as a whole. For example, MCE has contracted for over 800 megawatts (MW) with new California renewable energy projects, including approximately 480 MW in the Central Valley.

Deeply embedded in MCE's activities is empowerment of customers who may not otherwise have access to renewable energy options and technologies, enabling these customers to invest in a carbon-free future at an affordable price. MCE's activities in this area come in the form

of an expansive suite of energy efficiency offerings, including MCE’s Low Income Families and Tenants (“LIFT”) pilot that serves hard-to-reach low-income customers and identifies barriers to participation in low-income energy efficiency programs. MCE also offers low-income rebates on solar panels in partnership with GRID Alternatives and is launching low-income rebates towards the purchase of electric vehicles (“EVs”). Through these efforts, MCE is empowering all of its customers to take control of their energy usage and reduce their carbon footprint. The Commission should support the work MCE and other CCAs are doing throughout the state to advance equity and accelerate the state’s energy policies by exceeding state requirements.

II. CORPORATE GOVERNANCE – BOARD OF DIRECTORS

MCE has no comment on the specific proposed structures related to the governance of PG&E’s Board of Directors.

III. CORPORATE MANAGEMENT – OFFICERS AND SENIOR LEADERSHIP

MCE has no comment on the specific proposed structures related to the corporate management of officers and senior leadership.

IV. CORPORATE STRUCTURE

A. Separation of Gas and Electric Distribution and Transmission Divisions

Questions: Should PG&E’s gas and electric distribution and transmission divisions be separated into separate companies? If so, should the separate companies be controlled by a holding company? Should the holding company be a regulated utility?

1. Safety First: Separation of electric and gas entities will allow for improved focus on safety matters

This proceeding’s primary focus should be to ensure customers receive the safe utility service they deserve. Although not the only step needed, a complete separation of PG&E into independently operated gas and electric entities would be a fundamental first step towards

improving PG&E’s operational scale and scope in order for PG&E to better focus on safe, reliable and economic provision of utility service to customers.

PG&E fundamentally needs a change in corporate culture to prioritize the safety of ratepayers. A mere “on paper” change to corporate structure will not on its own create the necessary change. A corresponding change to corporate culture is needed to allow more transparency and accountability. Without a corresponding change in corporate culture, the corporate restructuring would only further insulate PG&E from liability without providing ratepayers with the safe provision of electric and gas services they deserve.

2. Separation of the PG&E gas and electric businesses would support the state’s decarbonization goals

Separating the PG&E gas and electric services into separately operated entities would also support California’s ambitious environmental policies. MCE shares California’s goal to reduce the use of carbon emitting resources – natural gas included – and replace those resources with non-emitting resources.

As the Commission contemplates a potential split of PG&E into separate gas and electric entities, the ultimate outcome should culminate in the safe and incremental transition away from reliance on natural gas and other GHG-emitting resources in the electricity, gas and broader energy sectors. The Commission should set policies to create opportunities to further divest from gas-based technologies and its infrastructure and modernize the grid so that the needs of customers and grid reliability can be met with GHG-free generation resources or distributed generation resources (“DERs”).

MCE is committed to decarbonization and supports structuring the energy sector to focus on decarbonization efforts. By definition, this means reducing natural gas use and actively supporting fuel switching from natural gas or other carbon-emitting sources to electricity produced

by renewable and/or GHG-free resources. Having a single-purpose, wires-only electricity provider and a separate single-purposed, gas provider would support this decarbonization and fuel-switching focus as discussed in more detail below.⁴

B. Separation of Corporate Structure by Region

Questions: Should PG&E’s corporate structure be reorganized with regional subsidiaries based on regional distinctions? For example, PG&E could be divided into multiple smaller utilities operating under a single parent company. If so, should such a reorganization apply to both gas and electric services? Do the physical characteristics of the gas and electric systems lend themselves to the same regional structure, or do the physical characteristics of the respective systems lend themselves to different regional structures?

MCE does not support a separation of corporate structure by region. MCE does not perceive any safety benefit to dividing PG&E into multiple smaller utilities where those separate utilities simply feed up to the same parent or holding company. Such a structure would create more regulatory complexities and result only in risk mitigation for PG&E without any additional protections for ratepayers or operational benefit in the energy industry.

1. Separation of PG&E into regional entities raises equity concerns

If the Commission were to consider any regional disaggregation of the utility, the Commission must prioritize equity issues. Ratepayers in the various regions will likely face significant impacts to rates because the cost of service differs in each area. The Commission should prevent any undue or dramatic rate impacts on the State’s most vulnerable customers, including California Alternate Rates for Energy (“CARE”) and Medical Baseline customers and those living in disadvantaged communities throughout PG&E’s service territory.

⁴ Fuel switching can run the gamut from electrification of vehicles, to replacing a gas dryer with an electric heat pump dryer, to the large building electrification efforts envisioned in Senate Bill (“SB”) 1477 (2018). As technologies continue to improve, even efficient gas appliances should and will be replaced with cleaner electric technologies.

In the event of any form of PG&E restructuring, it is critical for the Commission to support universal equity programs and facilitate and support supplemental programs that may be funded through individual Load Serving Entities' ("LSE") generation revenues. The Commission must take all steps necessary to ensure the State's most vulnerable communities are not disproportionately disrupted by a PG&E restructuring.

2. Separation of PG&E into regional entities would fail to improve the technical or operational functioning of PG&E

Furthermore, splitting PG&E into smaller regional entities would likely add difficulties to the technical or operational functioning of PG&E, particularly in its role as the exclusive billing and metering agent for CCAs. Regional subsidiaries may create further technological and functional barriers that complicate billing and access to metering data and may stifle the growth of DERs. If the Commission were to consider creating regional subsidiaries, the Commission should specifically evaluate impacts on billing mechanics, ratemaking and energy efficiency program operations. The Commission must take steps to ensure that creation of such subsidiaries does not lead to unnecessary complexities that create undue cost increases for ratepayers.

C. Revocation of Holding Company Authorization

Questions: Should the Commission revoke holding company authorization, so PG&E is exclusively a regulated utility? Should all affiliates and subsidiaries be spun off or incorporated into the regulated utility?

MCE has no comment on these questions.

D. Safety Working Group with Union Leadership

Question: Should the Commission form a standing working group with the union leadership of PG&E to identify the safety concerns of PG&E staff?

MCE has no comment on this question.

V. **PUBLICLY OWNED UTILITY, COOPERATIVE, COMMUNITY CHOICE AGGREGATION OR OTHER MODELS**

A. **Reconstitution of Utility as Publicly Owned Utility or Utilities**

Question: Should some or all of PG&E be reconstituted as a publicly owned utility or utilities?

MCE takes no position on complete municipalization of PG&E. MCE would expect the existing choices of the communities that have chosen CCA to be respected and upheld according to law. MCE also would expect that the choice of any individual community (or group of communities) that would seek to municipalize would also have their decision respected and facilitated by the Commission to the fullest extent supported by law.

The Commission should empower local governments to continue to make decisions that best serve the needs of their communities and support local communities that choose to expand their responsibilities and programmatic offerings within their jurisdictions, be it in the form of expansion of service obligations or transitions towards municipalization.

B. **Transformation of PG&E to a “Wires-only Company”**

Questions: Should PG&E be a “wires-only company” that only provides electric distribution and transmission services with other entities providing generation services? If so, what entities should provide generation services?

MCE supports PG&E transitioning to a wires-only company. MCE believes the potential to provide safer utility service to Northern Californians is the primary benefit of a wires-only PG&E. A secondary benefit of transitioning PG&E to a wires-only company is to take steps to ensure that its grid is modernized to enable greater decarbonization, DERs and customer choice efforts.

1. PG&E should be a wires-only company in order to improve safety

In order to create a clear focus on safety, MCE recommends restructuring PG&E such that one resulting entity is a wires-only company. This would allow the entity to focus specifically on the risks and needs of the electric grid and make the necessary investments to address these needs and risks. Essential to this wires-only company should be improved transparency of PG&E's fire safety policies and implementation efforts, particularly as they pertain to PG&E's operation and maintenance of its electric distribution infrastructure.

To this end, MCE solicited feedback from its communities' first responders and local safety personnel to gather additional local perspectives about what safety measures should be prioritized and implemented under any restructuring. First and foremost, our first responders recommended that transparency take the form of improved communication and coordination with first responders and local communities. As an example, PG&E should be directed to improve its reporting and dissemination of information related to fire safety efforts by creating a public and transparent database documenting and detailing PG&E's maintenance records and progress towards its safety goals. This will help local fire officials better understand where the greatest risks lie in the areas they serve. This increased transparency will assist local officials in optimizing safety resources by directing mitigation and improvement efforts to where they are most needed.

There should also be improved coordination and partnerships with local government entities, in particular local fire departments, to prevent and mitigate the effects of wildfires and other safety issues related to utility equipment. Some key strategies that local fire departments, safety and emergency personnel have recommended include:

- Creating a generation notification process to the local jurisdiction when intensive fuel reduction work occurs in a community;

- Pausing certain types of electric or gas infrastructure maintenance work on days when fire risks are high;
- Providing fire suppression on work sites to help extinguish a fire;
- Creating reporting requirements for any emergencies, including fires;
- Improving protocols to mitigate impacts of public safety de-energization events, which would include a single, consistent and updated notification matrix for public safety and local officials in the event of a Public Safety Power Shutoff;
- Ensuring utility distribution infrastructure maps and tracking documents are updated to accurately reflect the current distribution system conditions, particularly in the event of a de-energization situation (*i.e.* reflect changes to distribution line pathways, undergrounding projects, etc.);
- Improving coordination with local and regional government entities, in particular local fire departments, in order to: (1) ensure there is comprehensive understanding of where local high-risk areas are and whether these risks are due to vegetation or equipment issues and (2) facilitate timely and coordinated mitigation efforts to prevent and respond to wildfires;
- Improving partnerships and consultation with local communities to inform residents of the safety importance of PG&E's activities such de-energization of utility lines and vegetation management, while also acknowledging the impacts of de-energization on local communities and residents; and

- Requiring PG&E to perform a cost analysis for under-grounding utility lines in high-risk areas.⁵

The Commission should take steps to ensure that PG&E, in whatever form it ultimately takes, internalizes the foregoing in its operations, implements safety measures consistently and thoroughly, and that PG&E's resulting corporate and management structure be sufficiently nimble to efficiently address additional safety improvements raised by local communities and stakeholders.

2. The wires-only company should also focus on decarbonization and modernization of the grid

In addition to safety, decarbonization and modernization of the grid should be key priorities of the wires-only company. Specifically, PG&E must improve its operations to:

- Become “plug and play” to address generation in its myriad forms, including CCA, distributed generation, storage and other applications;
- Provide effective data, metering and billing operations, including the ability to provide real-time data access; and
- Provide transparent load and distribution level data in order to ensure all entities are investing appropriately in a safe and reliable grid and generation supply.

These are functions naturally served by a transmission and distribution utility. The transition of PG&E out of retail generation solely to ownership, operation and maintenance of the transmission and distribution systems would provide a unique opportunity for LSEs to establish

⁵ The improved reporting requirements mentioned above could inform this analysis and help focus under-grounding efforts and investment in other infrastructure improvements on the most problematic areas most likely to be affected by critical weather conditions or infrastructure malfunctions.

new partnerships with utility. However, even if the Commission ultimately decides not to transition PG&E out of its generation business, the data sharing and transparency issues should be addressed and resolved such that the distribution utility be required to provide LSEs with timely distribution-level data to be used to develop local demand side programs that can shift demand, reduce demand, reduce GHG-emissions and reduce costs for ratepayers by off-setting costly distribution system upgrades. Such data sharing and transparency is not available at present.

As California moves to increased customer choice and CCAs and other generation service providers take on increased responsibility, it is essential for LSEs to have improved communication with and insight into the distribution grid to optimally and strategically serve their loads, reduce GHG emissions and obviate costly distribution grid upgrades. This coordination is especially crucial as wildfire risks increase as a result of climate change and non-IOU LSEs and other service providers take on more substantial roles in the energy sector. These LSEs and other service providers will need more accurate, timely data to conduct load forecast and resource scheduling during emergencies or de-energization.

3. Where PG&E is a wires-only electricity provider, CCAs represent a key solution to providing generation service

CCAs have been a stabilizing force in the market, particularly for new renewable resources that are crucial for decarbonizing the electricity grid. Where PG&E is now facing bankruptcy, the CCAs, their customers and their many renewable and resource adequacy providers have viable, ongoing business relationships. Furthermore, CCAs have been strong advocates for a clean energy future. California and the Commission have set forth a vision of the future to decrease GHG emissions, increase renewables and increase innovation. CCAs have exceeded the high standards set by the State and the Commission and have been an important partner in supporting their vision and in creating this energy future.

The Commission's role in this future wires-only structure would be essential to ensure appropriate and safe wires management, appropriate modernizations to the grid and improved transparency, particularly as it relates to metering and data access. The Commission should ensure that the modernized PG&E grid is "plug and play," where CCAs are able to access our customers' data to develop programs that further reduce electricity sector GHG emissions.

- a. Where a CCA seeks to serve as the principal retail generation service provider in its service area, the Commission should support that community decision.*

Some CCAs may wish to be the principal retail service provider in their service area (*i.e.* providing all retail energy generation services to all customers within a CCA's service area). The Commission should support such community decisions. Current Direct Access customers should not be impacted by this transition and should still be able to retain their service from an Energy Service Provider ("ESP"). In the case where a CCA would serve as principal retail service provider, cost and competitive pressures would still continue from other providers, including ESPs and behind the meter generation and technologies.

- b. Where a community seeks to serve as a CCA, the Commission should support that community decision.*

For communities not currently served by a CCA, MCE recommends streamlining current CPUC processes that create up to a two-year wait to form or join a CCA.⁶ Specifically, the Commission should reduce the time between when a community files a new or amended implementation plan with the CPUC and the launch of the CCA from current 12 months to 6 months or fewer. These changes would benefit communities not currently served by CCAs by facilitating their ability to form a new CCA or join an existing CCA.

⁶ Resolution E-4907.

4. CCAs are not the sole solution where PG&E is a wires-only company – a stakeholder process must start now to achieve a safe, decarbonized and equitable future of electricity generation service

CCAs are not the sole solution in an electricity structure where PG&E serves as a wires-only company. In the case of divesting PG&E of its generation role, new or enhanced generation structures will need to be considered. This will require a thoughtful stakeholder process to determine an appropriate generation structure and also to set a process for achieving that structure.

The Scoping Memo sets forth various key considerations in framing stakeholder process, including safety and reliability, decarbonization and the cost of utility service.⁷ MCE recommends including equity in these considerations in order to give a voice to the most vulnerable in our communities, including but not limited to low-income customers, customers in disadvantaged communities and customers in areas most susceptible to wildfires.

This stakeholder process should also address several thorny issues, including: procurement autonomy of each LSE, reliability standards and resources beyond resource adequacy, SB 1136 (directing the Commission to determine clean resource adequacy requirements for LSEs) and treatment of stranded assets. This will require robust communication and collaboration among all entities engaging with California's electricity industry, including across California's regulatory bodies (the Commission, the California Energy Commission, the California Air Resources Board and the California Independent System Operator) and the Legislature.

VI. RETURN ON EQUITY

MCE has no comment on this section.

⁷ Scoping Memo at 12-13.

VII. OTHER PROPOSALS

MCE has no comment on this section.

VIII. CONCLUSION

MCE thanks Assigned Commissioner Michael Picker and Assigned Administrative Law Judge Peter V. Allen for the opportunity to provide these comments on the Scoping Memo.

Respectfully submitted,

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