



FILED

02/28/19
04:59 PM

**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 February 25, 2015)

**REPLY COMMENTS OF CITY AND COUNTY OF SAN FRANCISCO ON ASSIGNED
COMMISSIONER'S SCOPING MEMO AND RULING**

Dennis J. Herrera
City Attorney
Theresa L. Mueller
Chief Energy and Telecommunications Deputy
William Rostov
Deputy City Attorney

Attorneys for
City and County of San Francisco
City Hall Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4682
Telephone: (415) 554-4700
E-mail: william.rostov@sfcityatty.org

Dated: February 28, 2019

REPLY COMMENTS OF CITY AND COUNTY OF SAN FRANCISCO ON ASSIGNED COMMISSIONER’S SCOPING MEMO AND RULING

In accordance with the Assigned Commissioner’s Scoping Memo and Ruling, dated December 21, 2018 (“Scoping Memo”) and the Administrative Law Judge’s January 21, 2019 Order Granting an Extension of Time pursuant to Rule 11.6, the City and County of San Francisco (“San Francisco”) respectfully submits the following reply comments on the Scoping Memo.

The Commission should approach PG&E skeptically and not serve as a defender of the status quo.

DISCUSSION

A. Public Entities, Large and Small, Are Well Positioned to Provide Superior Electric Service to PG&E

PG&E’s comments focus on protecting its business interests.¹ Although PG&E solicits opinions and expresses a willingness to listen to others, PG&E fundamentally argues that it is best positioned to provide safe and reliable service. This proceeding exists because the evidence does not support PG&E’s claims.

PG&E argues that its vast size provides an advantage and that small entities will not be as effective.² San Joaquin Irrigation District Comments (“SSJID”) counters this claim explaining that “PG&E’s performance record amply demonstrates that bigger is not better. Smaller, local [Publicly Owned Utilities (“POUs”)] have distinct advantages that increase public safety. . . . POUs have much smaller workforces, which are managed locally and with more direct chains of command than exist within the large and complicated bureaucracy”³

PG&E also argues that smaller entities may not have the expertise and breadth to address safety risks.⁴ However, no other electric utility in California, large or small, has experienced the

¹ See, e.g., PG&E Comments, pp. 3-5.

² PG&E Comments, p. 19.

³ SSJID Comments, p. 2.

⁴ PG&E Comments, pp. 19, 24, 29

safety violations and records management failures that PG&E has experienced. PG&E's performance shows that size is not a determinant of success, especially when it comes to safety and service quality.

Furthermore, PG&E erroneously argues that larger utilities have better access to resources and better ability to raise capital.⁵ PG&E provides no evidence to support that statement and ignores its own two bankruptcy filings. Smaller utilities and municipalities are fully capable of accessing resources,⁶ and most small municipal utilities operate with mutual aid agreements for resources including equipment and, in cases of emergencies, staffing.⁷

Despite its dismal safety record, PG&E argues that the investor owned utility ownership model creates better incentives for safety because shareholders hold the board of directors and management accountable.⁸ PG&E adds that it has “an incentive to make prudent capital investments that promote safety and grid modernization, as they earn a return on investments approved by the regulator.”⁹

SSJID provides a different perspective with which San Francisco agrees:

As an investor-owned utility, PG&E weighs the needs of its customers (providing reliable electrical service at reasonable rates) versus the demands of its shareholders to reduce costs, maximize profits, and make distributions of those profits. PG&E's track record makes it clear that it has found it impossible to faithfully serve both interests. Instead, PG&E has consistently and inappropriately favored its shareholders by deferring (or in some cases, not performing) necessary maintenance and avoiding up-front investments in risk reduction and safety enhancements to the detriment of its customers.¹⁰

PG&E expresses concern that municipalization of parts of its system will potentially raise customers' costs because acquisition may be expensive.¹¹ Public entities exploring whether to start or expand a utility business will consider costs, including the purchase price and the cost of delivering power. Many public entities have done so successfully. Public entities also have a structural

⁵ PG&E Comments, p. 19.

⁶ *See, e.g.*, San Francisco Comments, p. 14-16.

⁷ America Public Power Association Comments, pp. 5-6.

⁸ PG&E Comments, p. 29.

⁹ PG&E Comments, p. 30.

¹⁰ SSJID Comments, p. 5.

¹¹ PG&E Comments, pp. 32-33.

advantage because they lack shareholders and high executive salaries, freeing revenue for investment back into the system.¹²

B. The Commission Should Adopt Specific Criteria That Protect Ratepayers.

The Scoping Memo sets out eight criteria for evaluating alternatives.¹³ The Commission should also apply criteria that protects ratepayers and their interests when evaluating alternatives.

TURN proposes several criteria:

- “The Commission should ensure that ratepayers continue to benefit from their investment in PG&E’s assets.”¹⁴
- “The Commission should ensure that low-income customers do not face worse affordability challenges.”¹⁵
- The Commission should protect ratepayers from the risks of market power.”¹⁶

The Public Advocates Office (“PAO”) includes similar goals such as minimizing the burden on ratepayers and avoiding rate shock.¹⁷

In a related vein, Marin Clean Energy recommends equity as another factor. This would “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.”¹⁸

C. The Clean Energy Mandates and Greenhouse Gas Targets Can Be Achieved While More Public Entities Operate in PG&E’s Territory.

The Commission should not continue to protect PG&E to ensure California’s greenhouse gas targets can be met. Public entities already make a significant contribution to California’s clean energy

¹² See City of San Jose Comments, p. 8.

¹³ Scoping Memo, p. 2.

¹⁴ TURN Comments, p. 2.

¹⁵ TURN Comments, p. 2.

¹⁶ TURN Comments, pp. 3.

¹⁷ PAO Comments, p. 3.

¹⁸ Marin Clean Energy Comments, p. 14.

and greenhouse gas mandates. The Joint CCAs explain that a core motivation for formation of each entity was “to drive deep carbon reductions at a generally faster pace than is mandated by the State” and to “drive innovation in the electricity, transportation and building sectors.”¹⁹ Monterey Bay Community Power “is sourcing carbon-free energy equivalent to 100% of its customer demand and developed blueprints for programs to electrify transportation and buildings within its service territory.”²⁰ San Jose Clean Energy is evaluating programs “in the areas of transportation electrification, rate discounts for local manufacturing focused on job creation, and customer engagement through innovative data analytics.”²¹

Ultimately, the combined effect of voluntary, community-driven activities and State-set requirements will ensure these goals are met.²²

D. The Proceeding Should Adopt PAO’s Request That PG&E File Additional Safety Information in this Proceeding.

San Francisco agrees with PAO’s procedural recommendation that PG&E should have an obligation to file and serve safety related information in this proceeding.²³ For example, PAO recommends that PG&E provide a comprehensive list of all its safety metrics and the corresponding performance for the last five years. PAO also requests PG&E’s Risk Accountability and Risk Spending Reports. In addition, PAO recommends PG&E serve court orders and PG&E’s responses to those orders in *U.S. v Pacific Gas and Electric Company* (Northern District of California, Case No. 14-00175 WHA).²⁴ The Commission should also require PG&E to serve all safety filings by other participants in that case.

¹⁹ Joint CCAs Comments, p. 2.

²⁰ Monterey Bay Community Power, p. 2.

²¹ City of San Jose Comments, p. 8.

²² See, e.g., SB 350, Clean Energy and Pollution Reduction Act of 2015, Public Utilities Code § 454.52(a)(1) (load serving entities must meet greenhouse gas requirement and renewable portfolio standard); see also SB 100, The 100 Percent Clean Energy Act of 2018 (increasing renewable energy requirements).

²³ See PAO Comments, pp. 14-15 (excluding point two which is not a request for information.)

²⁴ *Id.*, p. 15.

Dated: February 28, 2019

Respectfully submitted,

DENNIS J. HERRERA

City Attorney

THERESA L. MUELLER

Chief Energy and Telecommunications Deputy

WILLIAM ROSTOV

Deputy City Attorney

By: _____/s/_____
WILLIAM ROSTOV

Attorneys for

CITY AND COUNTY OF SAN FRANCISCO

City Hall Room 234

1 Dr. Carlton B. Goodlett Place

San Francisco, California 94102-4682

Telephone: (415) 554-4700

E-mail: william.rostov@sfcityatty.org