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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)

REPLY COMMENTS OF
THE CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION

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Dated: February 28, 2019

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I. EXECUTIVE SUMMARY AND OVERVIEW

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") and the *Assigned Commissioner's Scoping Memo and Ruling* ("Scoping Memo"), filed December 21, 2018, the California Municipal Utilities Association ("CMUA") respectfully submits these reply comments. CMUA's goal in submitting these reply comments is to correct the record regarding comments submitted by Pacific Gas and Electric Company ("PG&E") and the Coalition of California Utility Employees ("CUE").

II. RATE-BASED CAPITAL INVESTMENT DOES NOT PROVIDE SUFFICIENT INCENTIVE TO PROMOTE SAFETY

In its opening comments, PG&E suggested that due to the ability of shareholders to profit from capital spending, Investor Owned Utilities ("IOUs") "have stronger incentives to make investments that improve safety or quality of service."[1] To the extent this statement implies that publicly owned utilities ("POUs") have less incentive to maintain the safest and highest quality electric systems and service, it is simply incorrect. To the contrary, POUs have strong incentives to maintain the safest and most reliable electric systems and services. While it is true that IOUs can earn a profit from capital expenditures, there are many factors that inspire utilities to make capital investment. The profit motive may drive PG&E to make such investments, but for POUs

[1] PG&E Opening Comments, p. 30.

– who do not earn a rate of return for shareholders – the high priorities of public safety, reliability and excellent service are principal motivators alone.

Furthermore, capital expenditures are just one component of how a utility promotes safety. As PG&E itself noted, "This incentive predisposes utilities to favor investments over expenses, since they earn on investments but not on expenses."[2] However, many critical system maintenance responsibilities such as tree trimming and vegetation management, are expenses on which IOUs should not earn profits. California has seen how favoring profits at the expense of important maintenance activities can compromise safety.[3]

POUs have a strong record of safely and reliably providing power to their customers. California's POU do not need a profit incentive to promote safety; providing safe, reliable, affordable and sustainable electric service is their mission.

III. CALIFORNIA'S PUBLICLY OWNED UTILITIES ARE SUBJECT TO STATE ENERGY AND ENVIRONMENTAL REGULATIONS.

PG&E also incorrectly implies that POUs are not subject to state regulation.[4] In addition to local governing boards which rigorously set their agency's electric rates, CMUA members are subject to regulatory oversight by multiple state and federal agencies including, but not limited to, the California Air Resources Board, the California Energy Commission, the California State Water Resources Control Board, the California Coastal Commission, the Federal Energy Regulatory Commission and various regional air quality management districts. Moreover, while the POUs are not subject to Commission jurisdiction and enforcement, POUs maintain electric systems that meet or exceed safety rules adopted by the Commission.

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[2] *Id.,* PG&E Footnote 40.
[3] People v. Pacific Gas and Electric Company, No. M95-001422 (County of Nevada).
[4] PG&E Opening Comments, p. 31.

In addition to state regulation, POUs maintain a direct and transparent relationship with their customers. CMUA members benefit from the direct input from their customers at frequent[5] open governing body meetings, working with their customers without the need for shareholders to profit from the energy payments of the customers. This relationship is key to POUs' mission to provide safe, reliable, affordable and sustainable electric service.

IV. CUSTOMERS OF PUBLICLY OWNED UTILITIES BENEFIT FROM LOWER ELECTRIC RATES.

In its opening comments, CUE asserts that "municipalization is bad for ratepayers."[6] Specifically, CUE incorrectly asserts that costs of POUs are greater than those of large IOUs. The fact is precisely the opposite. On average, rates of California's community-owned utilities are 17.4% lower than those of California's IOUs.[7] These impressive results are a function of a balance between a variety of factors, including local governance and accountability, effective and direct management of resources, and use of joint action, whereby POUs join together in a variety of ways to achieve greater economies of scale and lower costs for consumers.[8]

CUE further erroneously asserts that municipalization focuses on "the richer, urban areas" leaving the less affluent or rural areas behind.[9] The facts do not support CUE's claim. CMUA members span all areas of California, including the urban areas of Los Angeles, Sacramento and Anaheim, areas in the central valley including Turlock, Modesto and Merced, desert regions such as the Imperial Valley and more remote regions such as those served by Trinity Public Utilities

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[5] POU governing boards meet in public and open meetings in their communities on a monthly or bi-monthly basis, with some meeting weekly.
[6] CUE Opening Comments, p. 4.
[7] United States Department of Energy, Energy Information Administration, Form 861, 2017.
[8] Joint action is achieved primarily through the Northern California Power Agency for POUs in the northern part of the state and the Southern California Public Power Authority for POUs in the southern portion of the state.
[9] CUE Opening Comments, p. 4.

District and Lassen Municipal Utilities District. Customers of all economic backgrounds and all geographic regions have seen the benefit of POU service.

V. CALIFORNIA'S PUBLICLY OWNED UTILITIES ENJOY THE BENEFIT OF A SKILLED AND DEDICATED WORKFORCE.

CUE's opening comments regarding the effect of a POU on workers are equally incorrect. While claiming that "municipalization is bad for workers," CUE admitted that most CMUA member utilities employee workers are represented by CUE.[10] A full 99.3% of the load served by CMUA members is provided by represented employees. When a community chooses to retain local control of its utility, the resultant community-owned utility often employs the same workers who had been employed by the IOU. A case in point is Winter Park, Florida. In 2005, the city moved to return its electricity services to community control and in doing so, hired many of the same workers from the incumbent IOU, as well as regional POUs.[11] No jobs were lost as a result of the move. In short, CUE has failed to provide any evidence to show that a single job would be lost as a result of moving to a POU.

VI. CALIFORNIA'S PUBLICLY OWNED UTILITIES ARE ADVANCING STATE POLICY GOALS TO PROVIDE GREATER RENEWABLES, REDUCING GREENHOUSE GASSES AND IMPROVING RELIABILITY.

CUE incorrectly asserts that "A large IOU is also necessary to implement policy for reliability, renewables and transportation electrification."[12] Statewide, CMUA members will achieve a 60% renewable portfolio by 2030 and are planning for a 100% zero carbon energy portfolio by 2045.

Additionally, POUs maintain superior service reliability than that of IOUs. The two key measures of utility reliability are System Average Interruption Duration Index ("SAIDI") and

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[10] *Id*., p. 3.
[11] https://www.orlandosentinel.com/news/orange/os-winter-park-electric-utility-anniversary-20150608-story.html.
[12] CUE Opening Comments, p. 3.

System Average Interruption Frequency Index ("SAIFI"). As shown by American Public Power Association ("APPA") in its Opening Comments, municipal utilities across the United States show superior reliability as compared to IOUs.[13] Similarly, United States Energy Information Administration data show that the average reliability of California's POUs is superior to that of the state's IOUs.[14] CUE's assertion that a large IOU is necessary to implement reliability policy is incorrect.

VII. PG&E SHOULD PROVIDE TRANSMISSION COST DATA IN A STRAIGHTFORWARD AND TRANSPARENT MANNER.

The Scoping Memo seeks comment on the question of whether PG&E should be turned into a "wires-only" company.[15] While CMUA does not take a position on this question, CMUA encourages the Commission to investigate methods for PG&E to provide transmission cost data in a straightforward and transparent manner. It is the policy of the APPA to control costs. Further, APPA "reiterates that FERC should enforce the transmission planning process requirements of FERC Order Nos. 890 and 1000 in a manner consistent with the purposes and goals of those orders."[16] If PG&E were to provide more detailed information and greater transparency about its transmission costs, CMUA members believe consumers would benefit from greater public accountability which would potentially lower transmission costs and subsequently, consumer bills.

VIII. CONCLUSION

For a community to assess whether it wants to move to a community-owned utility, an honest and fact-based discussion must occur. For this reason, and those cited above, CMUA encourages the Commission to dismiss the assertions made by PG&E and CUE regarding POUs. CMUA

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[13] American Public Power Association, Opening Comments, p. 8.
[14] United States Department of Energy, Energy Information Administration, Form 861, 2016, and analysis by the American Public Power Association.
[15] Scoping Memo, p. 12.
[16] APPA, Resolution 19-05: In Support of Controlling Transmission Cost Increases.

appreciates the opportunity to submit these reply comments, is eager to serve as the singular source of facts about POUs and looks forward to working with the Commission in this proceeding.

Dated: February 28, 2019

Respectfully submitted,

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