

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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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 THE PUBLIC ADVOCATES OFFICE**

I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits the following opening comments to the Proposed Decision (PD) of Administrative Law Judge (ALJ) Peter Allen in the Order Instituting Investigation on the Commission's Own Motion to Determine Whether Pacific Gas and Electric Company's (PG&E) Organizational Culture and Governance Prioritize Safety. The PD was filed on May 7, 2019.

The Public Advocates Office generally supports the PD. However, we are concerned that the PD frames its directive to PG&E too narrowly by being silent on PG&E's filing for bankruptcy reorganization. Therefore, the Public Advocates Office recommends the PD be revised to address the interplay between PG&E's bankruptcy filing and the scope of this proceeding.

II. DISCUSSION

The PD directs PG&E to “provide information about the safety experience and qualifications of independent directors on the board(s) of PG&E and PG&E Corp”¹ to show PG&E’s commitment to implementing the recommendation in the NorthStar Consulting Group report (NorthStar Report) that PG&E “[a]dd safety to the list of qualifications used in selecting Independent Directors to the Board(s) of PG&E Corp and PG&E.”²

However, the PD does not mention or acknowledge the fact that PG&E filed for bankruptcy on January 29, 2019. PG&E’s bankruptcy filing is significant because, among other things, it occurred after PG&E stated its commitment to implement 95% of the NorthStar recommendations by the end of 2018, but before PG&E announced the appointment of a large number of new directors to its Board of Directors on April 3, 2019. Therefore, PG&E’s bankruptcy filing is a significant intervening event that relates to the two issues that are central to the PD and the outcome of this Safety Culture OII.

The Public Advocates Office recommends that the PD be modified to acknowledge PG&E’s bankruptcy and the fact that this OII should consider all options for addressing PG&E’s safety culture in the public interest of ratepayers, including consideration of a different successor entity or entities.

A. The Implementation of The NorthStar Report Is Only One Aspect of The Safety Culture OII

The PD’s primary focus on whether PG&E’s appointment of a large number of new directors is consistent with the effective implementation of the recommendations in the NorthStar Report may be construed as narrowing the scope of the proceeding. The Commission’s approval of the PD would be the first order issued in this proceeding since PG&E’s bankruptcy filing. As noted above, this proceeding involves subjects that are

¹ PD at p.1.

² NorthStar Report at p. III-21.

central to the bankruptcy proceeding. Yet, the PD does not address the potential impacts or effects of PG&E's bankruptcy proceeding.

Parties in both the bankruptcy proceeding and the Safety Culture OII are looking to the Commission for direction on how to reconcile the overlapping issues in the two fora. To this end, the Public Advocates Office recommends that the PD be modified to require the following:

- I. PG&E should be required to explain if and how it understands the scope of this proceeding to have been limited in any respects by its intervening filing for bankruptcy.
- II. PG&E should be required to explain how the directives and findings in this proceeding will be reflected in, and respected by, any bankruptcy reorganization plan it expects to file.
- III. PG&E should be required to explain if and how the intervening bankruptcy, in PG&E's understanding, changed or affected its commitment to implementing the NorthStar Report.
- IV. PG&E should be required to explain if and how any directives issued in this OII will apply to PG&E or its successors.

The Public Advocates Office further recommends that the Commission phrase any directives to PG&E, in this PD and any successive rulings, as applicable to successor companies, if any. This will ensure that the scope of this proceeding is understood to encompass the authority of this Commission to consider and require such successorships prior to, or as part of, PG&E's submission of a plan of reorganization and in that plan of reorganization.

B. The Commission Must Clarify the Selection, Role, and Duties of The Commission Advisory Panel on Corporate Governance

The Public Advocates Office is encouraged by the PD's statement that the Commission is establishing a Commission Advisory Panel on Corporate Governance, "consisting of a panel of experts that can advise the Commission on corporate

governance issues.”³ However, in the absence of any further detail about the structure and timing of the Panel, and its formation, especially in light of the bankruptcy filing, the Public Advocates Office reserves its support for the Panel at this time.

III. THE PUBLIC ADVOCATES OFFICE SUPPORTS THE PD

With the aforementioned recommendations, the Public Advocates Office supports the PD because it is consistent with the Commission decision Ordering PG&E to implement the recommendations of the NorthStar Report, D.18-11-050. In that decision, the Commission held that when it comes to whether PG&E is adequately implementing the NorthStar recommendations “[r]esults are a higher priority than intentions.”⁴

IV. CONCLUSION

The Public Advocates Office, therefore, recommends the Commission approve the PD with the proposed modifications.

Respectfully submitted,

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³ PD at pp. 4-5.

⁴ D.18-11.050 at p. 4.