

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

**FILED**

05/07/19  
10:09 AM

May 7, 2019

**Agenda ID #17426**  
**Ratesetting**

TO PARTIES OF RECORD IN INVESTIGATION 15-08-019:

This is the proposed decision of Administrative Law Judge (ALJ) Allen. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's June 13, 2019 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4)(B).

/s/ ANNE E. SIMON

Anne E. Simon

Chief Administrative Law Judge

AES:eg3

Attachment

Decision **PROPOSED DECISION OF ALJ ALLEN** (Mailed 5/7/2019)**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

**DECISION ORDERING REPORTING OF SAFETY EXPERIENCE AND  
QUALIFICATIONS OF THE BOARD OF DIRECTORS OF PACIFIC GAS AND  
ELECTRIC COMPANY AND PG&E CORPORATION AND ESTABLISHING  
ADVISORY PANEL ON CORPORATE GOVERNANCE**

**Summary**

This decision directs Pacific Gas and Electric Company (PG&E) and PG&E Corporation (PG&E Corp.) to provide information about the safety experience and qualifications of independent directors on the board(s) of PG&E and PG&E Corp. The Commission is establishing a Commission Advisory Panel on Corporate Governance. This proceeding remains open.

**1. Background**

This Order Instituting Investigation (OII or Investigation) is evaluating whether the organizational culture and governance of Pacific Gas and Electric Company (PG&E) and PG&E Corporation (PG&E Corp.) prioritize safety and adequately direct resources to promote accountability and achieve safety goals and standards.

In Decision (D.) 18-11-050 in this proceeding, the Commission ordered PG&E to promptly implement the recommendations of the Commission's Safety

and Enforcement Division (SED) as set forth in a report prepared by the NorthStar Consulting Group (NorthStar Report). PG&E agreed with the NorthStar Report recommendations, supported the Commission's adoption of the NorthStar Report recommendations, committed to completely implement those recommendations, and testified that PG&E expected to have 95% of the recommendations implemented by the end of 2018. (D.)18-11-050 at 3; PG&E Opening Brief at 9.)

The first recommendation listed in the Summary of Recommendations on page I-12 of the NorthStar Report, in the category of Governance and Strategy, and identified as a high priority, is:

Add safety to the list of qualifications used in selecting Independent Directors to the Board(s) of PG&E Corp. and PG&E. Periodically revisit the qualifications matrix and requirements for Independent Director as the industry and requirement change. Add Independent Directors to the Board who have experience with safety, perhaps in another industry such as aviation.<sup>1</sup>

In the course of the proceeding leading to the adoption of the recommendations in the NorthStar Report, PG&E requested that the Commission approve its plans for implementing the recommendations. In response, the Commission stated:

We neither approve nor reject PG&E's plans to implement the recommendations in the NorthStar Report. The recommendations for PG&E are clear, and PG&E is responsible for implementing them. While the Commission is heartened by PG&E's apparent responsiveness to the recommendations in the NorthStar Report, the Commission is reserving its judgment whether PG&E has effectively implemented them. The Commission wants to confirm that

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<sup>1</sup> This recommendation also appears at III-21 of the NorthStar Report.

PG&E has implemented the recommendations, rather than pre-bless PG&E's plans for doing so. Results are a higher priority than intentions. (D.18-11-050 at 4.)

PG&E and PG&E Corp. recently announced the appointment of a large number of new directors to its Board of Directors.<sup>2</sup> On April 15, 2019, Richard Kelly, the former PG&E Corp. Board Chair and Chair of the Nominating and Governance Committee, spoke at the public forum in this proceeding, describing the selection process and qualifications of the new board members.<sup>3</sup>

The Commission will examine whether PG&E's appointment of the new directors is consistent with effective implementation of the recommendations in the NorthStar Report.

## **2. PG&E Compliance with Decision 118-11-050**

PG&E has committed to complete implementation of the NorthStar Report recommendations by July 1, 2019. (D.18-11-050 at 7, citing PG&E Comments at 2.) As described above, these recommendations include a multi-part recommendation regarding the Board of Directors. PG&E has taken prompt action in announcing the appointment of new directors prior to July 1, 2019. In order to determine whether the appointment of the new directors is consistent with D.18-11-050, the Commission needs additional information.

Accordingly, PG&E and PG&E Corp. are to provide the following information for each board member<sup>4</sup> via a compliance filing in this proceeding within 20 days of the effective date of this decision:

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<sup>2</sup> The Commission takes official notice of this action. (*See, e.g.*, PG&E News Release, April 3, 2019.)

<sup>3</sup> The agenda for the April 15, 2019 forum is attached to this decision as Appendix A.

<sup>4</sup> For consistency and convenient reference, PG&E and PG&E Corp. are to provide this information for all board members.

- 1) Any safety-specific education and training received, including any education or training relating to corporate safety culture or safety management programs, with dates, provider and any certifications.
- 2) All direct, supervisory or management level safety-specific work experience, including all experience with corporate safety culture or safety management programs, with dates, job title, and including both general job duties and safety-specific job duties.
- 3) All safety-specific board of director experience, including specific safety committees served on, dates of service, the scope of committee jurisdiction, and any experience relating to corporate safety culture or safety management programs.
- 4) All other previous and current board positions at other organizations, including dates, names of companies, and any special duties or offices.
- 5) All other current professional commitments, including employment, consulting or other contract work, and any significant and ongoing volunteer work.

PG&E and PG&E Corp. are to provide the following information in the quarterly reports submitted to SED pursuant to D.18-11-050:

- 1) Non-confidential versions of the minutes of all board meetings and safety committee meetings.
- 2) All training, education or other support on safety that PG&E and PG&E Corp. are providing to board members to ensure that they can adequately perform their duties on safety issues.

### **3. Advisory Panel on Corporate Governance**

In order to provide the Commission with additional expertise on corporate governance issues, including issues relating to the qualifications and performance of utility boards of directors, the Commission is establishing a

CPUC Advisory Panel on Corporate Governance, consisting of a panel of experts that can advise the Commission on corporate governance issues.

#### **4. Comments on Proposed Decision**

The proposed decision of Administrative Law Judge Allen in this proceeding was mailed to the parties in accordance with Section 311 of the Public Utilities Code, and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by \_\_\_\_\_ and reply comments were filed by \_\_\_\_\_.

#### **5. Assignment of Proceeding**

Michael Picker is the assigned Commissioner and Peter V. Allen is the assigned Administrative Law Judge in this proceeding.

#### **Findings of Fact**

1. Decision 18-11-050 ordered PG&E Corp. and PG&E to add safety to the list of qualifications used in selecting Independent Directors to the Board(s) of PG&E Corp. and PG&E.

2. Decision 18-11-050 ordered PG&E Corp. and PG&E to add Independent Directors to the Board who have experience with safety.

3. PG&E Corp. and PG&E recently announced the appointment of new Independent Directors.

4. The Commission has limited in-house expertise on corporate governance issues.

#### **Conclusions of Law**

1. The Commission should determine whether PG&E Corp. and PG&E are complying with the provisions of D.18-11-050 relating to Independent Directors.

2. The Commission should obtain outside expert advice on corporate governance issues.

**ORDER**

**IT IS ORDERED** that:

1. Pacific Gas & Electric Company and PG&E Corporation are to provide the specified information for each board member by a compliance filing in this proceeding within 20 days of the effective date of this decision.

2. Pacific Gas & Electric Company and PG&E Corporation are to provide the specified information in the quarterly reports submitted to the Commission's Safety and Enforcement Division pursuant to Decision 18-11-050.

3. The Commission is establishing a Commission Advisory Panel on Corporate Governance.

4. This proceeding remains open.

This order is effective today.

Dated \_\_\_\_\_, 2019, at Sacramento, California.

## **APPENDIX A**





## California Public Utilities Commission

### **Public Discussion on Pacific Gas and Electric**

#### Forums on Governance, Management, and Safety Culture

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April 15, 2019 | 9:00 a.m. – 4:15 p.m.

April 26, 2019 | 9:00 a.m. – 1:00 p.m.

California Public Utilities Commission  
Auditorium, 505 Van Ness Avenue  
San Francisco, CA

Also available via call-in number: 800-857-1917; Passcode: 92105  
and webcast: [www.adminmonitor.com/ca/cpuc](http://www.adminmonitor.com/ca/cpuc)

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The California Public Utilities Commission is hosting a series of forums to explore whether changes to Pacific Gas and Electric Company and Pacific Gas and Electric Corporation's (PG&E collectively) corporate governance, management, structure, and ownership are needed to ensure the safe provision of electric and gas service to Northern Californians. The first two forums are on April 15 and April 26, 2019.

On December 21, 2018, CPUC President Michael Picker posed a series of questions addressing these areas of concern in CPUC proceeding I.15-08-019. In early 2019, Parties submitted statements addressing the future of PG&E. The CPUC will host Forums to discuss the relevant merits of concepts and proposals. As part of the public discussion on PG&E's safety culture in I.15-08-019, these Forums will examine the thesis that changes to PG&E's governance and management are necessary for the safe operation of PG&E. Speakers and panelists will address corporate safety culture, PG&E's safety culture, corporate governance models impact on safety, accountability, and alternative governance models.

The Commission is mindful of the broad spectrum of issues raised in parties' comments and is considering additional forums to discuss those issues.

# April 15, 2019

## Part I: Forum on Governance, Management, and Safety Culture

9:00 – 9:15 a.m.	<b>Safety Announcement &amp; Welcome from Commissioners</b>
9:15 – 9:45 a.m.	<b>Presentation on Corporate Safety</b> Presentation by Professor David Hofmann, University of North Carolina An overview of corporate safety culture.
9:45 – 10:10 a.m.	<b>Presentation on the Findings of the Phase 1 Northstar Report</b> Northstar Consulting is an advisor to the CPUC’s Safety and Enforcement Division in this proceeding. Northstar will present on the findings of the Phase 1 report, including specific findings related to PG&E’s corporate governance.
10:10 – 10:20 a.m.	<b>Break</b>
10:20 – 11:45 a.m.	<b>Panel on the Impact of Corporate Governance on Corporate Culture, including Safety Culture</b>  <b>Moderator:</b> Carla Peterman, Commissioner, Commission on Catastrophic Wildfire Cost and Recovery  <b>Panelists</b> Ken Bertsch, Executive Director of the Council of Institutional Investors Kenneth Feinberg, Former Director of Executive Compensation, Department of the Treasury Susan Mac Cormac, Partner, Morrison & Foerster Lynn Paine, Professor and Senior Associate Dean, Harvard Business School
11:45 – 12:15 p.m.	<b>Questions from Public</b>
12:15 – 1:15 p.m.	<b>Lunch Break</b>

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<b>1:15 – 2:10 p.m.</b>	<b>Panel on Corporate Leadership from the Ground Up</b>  <b>Moderator:</b> JB Tengco, West Coast Director, BlueGreen Alliance  <b><u>Panelists</u></b> Tom Dalzell, Business Manager, International Brotherhood of Electrical Workers (IBEW) 1245 Alyssa Giachino, Senior Research and Policy Manager, United Auto Workers David Hofmann, Professor, University of North Carolina
<b>2:10 – 2:30 p.m.</b>	<b>Questions from Public</b>
<b>2:30 – 2:50 p.m.</b>	<b>PG&amp;E Board of Directors Selection Process and Purpose</b> Presentation by Richard Kelly, Board Chair and Chair of the PG&E Corporation Nominating and Governance Committee.  On January 4, 2019, PG&E announced that it plans to refresh the current membership of its Board of Directors. On April 3, 2019, PG&E announced the appointment of 10 new directors to its Board of Directors and the appointment of a new Chief Executive Officer and President with the goal of “strengthening its safety culture and operational effectiveness and successfully navigating the Company’s Chapter 11 process.”  Mr. Kelly will describe his selection criteria to identify new board members and why he believes the newly appointed members, both individually and collectively as a body, are the best candidates to effectuate the governance and operational changes needed for PG&E to ensure safe utility service.
<b>2:50 – 3:20 p.m.</b>	<b>Questions from Commissioners</b>
<b>3:20 – 3:50 p.m.</b>	<b>Public Comment</b>
<b>3:50 – 4:05 p.m.</b>	<b>Commissioner Closing Remarks</b>

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**April 26, 2019**

**Part II: Forum on Governance, Management, and Safety Culture**

***Panelists and Moderators to be announced***

<b>9:00 – 9:10 a.m.</b>	<b>Safety Announcement &amp; Welcome from Commissioners</b>
<b>9:10 – 9:20 a.m.</b>	<b>Introductory Remarks</b>
<b>9:20 – 10:30 a.m.</b>	<b>Panel on Aligning Corporate Governance with Ratepayer Interests</b>
<b>10:30 – 10:50 a.m.</b>	<b>Questions from Public</b>
<b>10:50 – 12:00 p.m.</b>	<b>Panel on Alternatives to Corporate Governance</b>
<b>12:00 – 12:20 p.m.</b>	<b>Questions from Public</b>
<b>12:20 – 12:40 p.m.</b>	<b>Public Comment</b>
<b>12:40 – 1:00 p.m.</b>	<b>Commissioner Closing Remarks</b>

## Speaker Bios

Listed Alphabetically

**Ken Bertsch** was named Executive Director of the Council of Institutional Investors in March 2016. He has more than 30 years of experience across a wide range of investment, consulting, management and corporate governance roles. He most recently served as a Partner at CamberView Partners. He previously was President and CEO of the Society of Corporate Secretaries & Governance Professionals; Executive Director for corporate governance and proxy voting at Morgan Stanley Investment Management; Managing Director for corporate governance analysis at Moody's Investors Service; Director of the governance engagement program at TIAA CREF; and in various roles at the Investor Responsibility Research Center. He holds a JD from Fordham University School of Law and an undergraduate degree from Williams College.

**Tom Dalzell** was initiated into Local 1245 of the International Brotherhood of Electrical Workers, ALF-CIO in 1981. He joined the Staff of Local 1245 as a Staff Attorney and was promoted to Senior Assistant Business Manager in 2001. Tom was elected Business Manager of Local 1245 in 2007 and re-elected in 2010, 2013 and 2016.

**Kenneth R. Feinberg** is one of the Nation's leading experts in alternative dispute resolution, having served as Special Master of the 9/11 Victim Compensation Fund, the Department of Justice Victims of State-Sponsored Terrorism Fund, the Department of the Treasury's TARP Executive Compensation Program and the Treasury's Private Multiemployer Pension Reform program. He was also Special Settlement Master of the Agent Orange Victim Compensation Program. In 2010, Mr. Feinberg was appointed by the Obama Administration to oversee compensation of victims of the BP oil spill in the Gulf of Mexico. Most recently, he has served as Administrator of the New York State Dioceses' Independent Reconciliation and Compensation Funds, the One Orlando Fund, the GM Ignition Switch Compensation Program, and One Fund Boston Compensation Program arising out of the Boston Marathon bombings. He is currently the Court-appointed Settlement Master in the Fiat/Chrysler Diesel Emissions class action litigation in San Francisco. He has been appointed mediator and arbitrator in thousands of complex disputes over the past 35 years.

**Alyssa Giachino** is an International Consultant with the United Auto Workers, focused on policy and research. The UAW represents more than 400,000 workers in auto and parts manufacturing as well as public sector, health care and nonprofit workers. The UAW has a proud history of bargaining health care and job training benefits for workers as well as active leadership in Civil Rights battles since the 1950s. Giachino has more than a decade of experience in the labor movement, supporting organizing for low-wage private sector workers in manufacturing, hospitality and building services.

**David Hofmann** is the Hugh L. McColl, Jr. Distinguished Professor of Leadership and Organizational Behavior and Senior Associate Dean for Academic Affairs at University of North Carolina, Chapel Hill. Dave Hofmann's research focuses on organizational climate, leadership, and organizational change, organizational design and decision-making. He teaches courses in organizational behavior, leadership and the complexities of middle management. Dr. Hofmann served as associate dean for the full-time MBA Program and area chair of organizational behavior. A specific focus of his research is the impact of leadership and organizational culture on safety and errors in organizations that operate in high-risk environments. He has edited two scholarly books on these topics, including "Errors in Organizations" with Michael Frese. In recognition of his work's applied

implications, he received the American Psychological Association's Decade of Behavior Research Award in 2006. He received a Fulbright Senior Scholar Award to study errors and safety issues in organizations at the University of Giessen in Germany, and Robert Wood Johnson Foundation grant to investigate error management and organizational learning on nursing units. Since 2010, he has served on two National Research Council/National Academy of Engineering committees. The first investigated the causes of the BP Deepwater Horizon accident, and the second focused on how to improve safety culture in the offshore industry. Dr. Hofmann has presented his research or conducted executive development sessions in Australia, Canada, France, Germany, Hong Kong, India, Netherlands, Singapore, Spain, Switzerland, UAE and the U.K. He earned his PhD in industrial and organizational psychology from Pennsylvania State University, his master's degree in industrial and organizational psychology from the University of Central Florida, and his bachelor's degree in business administration from Furman University.

**Susan “Suz” Mac Cormac** is a Corporate Partner at Morrison & Foerster in San Francisco and Chairs the Firm's Energy and Impact/Social Enterprise practices. Her practice focuses on late stage financings, secondaries and other corporate transactions for investors such as SoftBank and Temasek and on investments for some of the top investors dedicated to impact, from “impact first” foundations to family offices to private equity funds. She co-lead the drafting group for the first of the new corporate forms (the Social Purpose Corporation in California), has created hybrid/ tandem corporate structures and crafted debt and equity instruments that blend impact with traditional financial terms, and has used corporate law to develop creative capital market solutions to pressing environmental problems. She also advises the boards of public and private companies on corporate governance and fiduciary duties as applied to sustainability and climate change. She was named a California Lawyer of the Year in 2012 and 2016 and the Most Innovative Lawyer in North America in 2015 by the Financial Times. She is an adjunct professor at Berkeley Law School, teaching a course on social enterprise, specifically the intersection of corporate law, governance and sustainability. She also has taught at the Stanford Director's College on fiduciary duties, disclosure and ESG, focusing on climate change. She is on the Board of Business for Social Responsibility; President's Council of CERES and was a former Board member SASB. She is a graduate of Duke Law School (JD/LLM) and Williams College. She lives in the Presidio National Park with her husband and three boys.

**Lynn S. Paine** is John G. McLean Professor and Senior Associate Dean for International Development at Harvard Business School. She has written widely on leading and governing companies that meld high ethical standards with outstanding financial results. Her recent publications include “The Error at the Heart of Corporate Leadership” and “Sustainability in the Boardroom” (both in Harvard Business Review) and *Capitalism at Risk: Rethinking the Role of Business* (HBR Press). Ms. Paine co-founded the required MBA course on Leadership and Corporate Accountability and currently co-chairs the executive programs Making Corporate Boards More Effective and Women on Boards. Ms. Paine has served on numerous panels and advisory boards including The Conference Board's Blue-Ribbon Commission on Public Trust and Private Enterprise after Enron's collapse and its Task Force on Executive Compensation after the financial crisis. She is currently a director of Atos, SE. A graduate of Smith College, Ms. Paine holds a doctorate in moral philosophy from Oxford University and a law degree from Harvard Law School.

**Carla Peterman** is a former commissioner at the California Public Utilities Commission, where she was the assigned Commissioner for a number of proceedings including energy efficiency, alternative transportation, energy storage, and several rate cases. She was previously a Commissioner with the California Energy Commission where she was lead Commissioner for renewables, transportation, and natural gas. Peterman holds a Doctor of Philosophy in Energy and Resources from The University of California Berkeley. She also earned a Master of Science degree and a Master of Business Administration degree from Oxford University, where she was a Rhodes Scholar. Peterman holds a Bachelor of Arts in History from Howard University.

**JB Tengco** is the Western States Director for the BlueGreen Alliance. The BlueGreen Alliance unites America's largest labor unions and its most influential environmental organizations to solve today's environmental challenges in ways that create and maintain quality jobs and build a stronger, fairer economy. Previously, he has held senior positions in the clean energy, labor and political arena. He served as the director of government affairs and public relations for Westinghouse Solar as well as served as a consultant to a number of clean energy companies ranging from start-ups to one of the largest solar companies in the world. Prior to working in clean energy, he worked with California Democratic party and the California Labor Federation, AFL-CIO. He has a Masters in public policy from Columbia