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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 OF THE ALLIANCE FOR RETAIL ENERGY MARKETS  
TO COMMENTS ON ASSIGNED COMMISSIONER'S SCOPING MEMO  
AND RULING**

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Consultant To  
**ALLIANCE FOR RETAIL ENERGY MARKETS**

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The Alliance for Retail Energy Markets (“AReM”)<sup>1</sup> respectfully submits this reply to comments filed February 13, 2019 regarding the “*Assigned Commissioner’s Scoping Memo and Ruling*,” issued on December 21, 2018 (“Ruling”).<sup>2</sup> This reply is submitted in accordance with the e-mail ruling issued on January 22, 2019 by Administrative Law Judge Peter V. Allen pursuant to Rule 11.6 of the Commission’s Rules of Practice and Procedure, which extended the deadline for submitting reply to February 28, 2019. AReM’s reply follows the format set forth in the Ruling and focuses on comments addressing “Public Utility or Cooperative.”<sup>3</sup>

**I. PUBLIC UTILITY OR COOPERATIVE ALTERNATIVES**

This proceeding is investigating whether Pacific Gas and Electric Company’s (“PG&E’s”) corporate organizational culture and governance appropriately prioritize safety. The Ruling provided the scope of issues to be addressed in this phase of this proceeding and

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<sup>1</sup> AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California’s direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

<sup>2</sup> Ruling, p. 14.

<sup>3</sup> Ruling, p. 13.

explained that the proceeding will “review alternatives to the current management and operational structures of providing electric and gas service in Northern California”<sup>4</sup> that could serve to improve the safe operation of the PG&E systems. In particular, the Ruling specified that the following questions would be addressed under the category “Publicly Owned Utility, Cooperative, Community Choice Aggregation or Other Models”:<sup>5</sup>

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

Many parties filed comments addressing these questions. Several parties supported converting PG&E to a “wires-only company” or at least considering that option, including the Public Advocates Office,<sup>6</sup> Shell Energy,<sup>7</sup> Joint Community Choice Aggregators<sup>8</sup> (“Joint CCAs”),<sup>9</sup> City of San José,<sup>10</sup> Marin Clean Energy (“MCE”),<sup>11</sup> Silicon Valley Clean Energy (“SVCE”),<sup>12</sup> and Monterey Bay Community Power (“MBCP”).<sup>13</sup> Significantly, PG&E also supported the Commission’s consideration of the wires-only option for its corporate structure.<sup>14</sup> AReM joins in supporting the Commission’s active consideration of PG&E as a wires-only company.

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<sup>4</sup> Ruling, p. 2.

<sup>5</sup> Ruling, p. 12.

<sup>6</sup> Public Advocates Office, p. 13.

<sup>7</sup> Shell Energy, p. 3. Shell advocated converting PG&E into a “pipes and wires” company.

<sup>8</sup> The “Joint CCAs” comprise East Bay Community Energy, Peninsula Clean Energy Authority, Pioneer Community Energy, the City of San José on behalf of San José Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy Alliance.

<sup>9</sup> Joint CCAs, p. 5.

<sup>10</sup> City of San José, p. 3.

<sup>11</sup> MCE, p. 5.

<sup>12</sup> SVCE, p. 2.

<sup>13</sup> MBCP, p. 4.

<sup>14</sup> PG&E, p. 34. PG&E also supported considering separate gas and electric companies. (p. 20)

Further, the Joint CCAs and MCE proposed that community choice aggregators (“CCAs”) serve as the “principal” or “only” provider of electric service in their service areas, relieving PG&E of any obligation to provide electric service to retail customers.<sup>15</sup> The Joint CCAs explained that “current” direct access customers “would not be impacted by this transition and would still be able to retain their service from” electric service providers (“ESPs”).<sup>16</sup> MCE’s comments similarly state that “[c]urrent Direct Access customers should not be impacted by this transition and should still be able to retain their service” from an ESP.<sup>17</sup>

Joint CCAs and MCE recognize that *current* direct access customers would continue to receive direct access service, as required by Public Utilities Code Section 366.2(c)(14), which states that a CCA may not “restrict the ability of retail electricity customers to obtain or receive service from any authorized electric service provider in a manner consistent with law.” Consistent with that statute, CCAs should similarly ensure unimpeded direct access service for *future* direct access customers as well.

In fact, Senate Bill (“SB”) 237, enacted by the Legislature in 2018,<sup>18</sup> provides for an immediate increase in the amount of current direct access load by 4,000 gigawatt-hours. SB 237 also directs the Commission to provide recommendations to the Legislature by June 1, 2020 to further re-open direct access at which time the Legislature may consider additional expansion of direct access service. Accordingly, the Commission must consider and evaluate potential changes to PG&E’s corporate structure in the context of both *current* direct access service and *future* expansion of such service as may be directed by the Legislature.

If PG&E transitions to a wires-only company, the manner in which it is replaced as the principle retail service provider will have far-reaching impacts on customer choice, both for

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<sup>15</sup> MCE, p. 13; Joint CCAs, p. 6.

<sup>16</sup> Joint CCAs, pp. 6-7.

<sup>17</sup> MCE, p. 13.

<sup>18</sup> Stats. 2018, Ch. 600.

CCAs and direct access customers, whether residential or commercial and industrial. As part of its Customer Choice Project, the Commission has initiated review and analysis of several workable models that replace the utility as the “provider of last resort” or “POLR” service. These discussions are critical to the transition of utilities away from their POLR responsibilities. For these reasons, AReM urges the Commission to consider a transition of PG&E to a wires-only company to carefully take into account how that transition will be compatible with further expansion of direct access as required by SB 237.

Finally, existing and prospective direct access customers are free to select an ESP of their own choosing and switch ESPs in accordance with long-standing rules and requirements adopted by the Commission. AReM expects that any retail provider approved by the Commission for POLR service would fully accommodate these existing rules and requirements.

## **II. CONCLUSION**

AReM appreciates the opportunity to reply to parties’ comments on Public Utility or Cooperative alternatives for PG&E’s corporate structure. AReM looks forward to working with Commission staff and other parties in considering modifications to PG&E’s corporate structure in the context of the expansion of direct access service.

Respectfully submitted,

A handwritten signature in black ink that reads "Sue Mara". The signature is fluid and cursive, with the first name "Sue" and last name "Mara" clearly distinguishable.

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