

**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 CITY OF SAN JOSÉ**

RICHARD DOYLE  
City Attorney

ED MORAN  
Assistant City Attorney

LUISA F. ELKINS  
Senior Deputy City Attorney  
Office of the City Attorney  
200 East Santa Clara Street, 16th Floor  
San José, CA 95113-1905  
Tele: (408) 535-1953  
Email: [luisa.elkins@sanjoseca.gov](mailto:luisa.elkins@sanjoseca.gov)

*Attorneys for the City of San José*

February 13, 2019

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**OPENING COMMENTS OF THE CITY OF SAN JOSÉ**

Pursuant to the Assigned Commissioner's Scoping Memo and Ruling dated December 21, 2018 and amended January 22, 2019<sup>1</sup> (the "Ruling"), the City of San José ("San José" or "the City") respectfully submits the following comments.<sup>2</sup> San José appreciates the opportunity to provide comments on the Ruling and strongly supports any efforts from the California Public Utilities Commission ("Commission") to ensure continuous, safe, and reliable gas and electricity services to all residents in Northern California and, specifically, San José.

San José has joined East Bay Community Energy, Peninsula Clean Energy Authority, Pioneer Community Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy Alliance (the "Joint CCAs") to provide comments, responses to the Ruling's questions, and proposals for Commission consideration. San José is submitting these additional comments to address some issues in the Ruling that are particularly relevant for San José and its

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<sup>1</sup> On January 22, 2019, the presiding officer for this proceeding, ALJ Peter V. Allen, issued an E-Mail Ruling Granting Extension of Time, which extends the comment and reply deadlines. These comments are timely filed.

<sup>2</sup> San José's Motion for Party Status was granted by E-Mail Ruling Granting Motions for Party Status, dated February 8, 2019.

residents. To the extent that a question or recommendation is not addressed herein, San José reserves its right to comment at a future date.

## **I. INTRODUCTION**

San José is the largest city in Northern California with an estimated population of more than one million inhabitants.<sup>3</sup> San José's residents receive electric and gas services from Pacific Gas & Electric ("PG&E"). Further, San José has established its own Community Choice Aggregator ("CCA") program that launched its service to all customers on February 1, 2019 under the name of San José Clean Energy ("SJCE"). San José has ambitious urban sustainability goals that are aligned with the state's de-carbonization and climate change response goals.<sup>4</sup> Those goals are articulated in San José's Climate Smart Plan and include, among others, the following:

1. Transitioning to renewable electricity;
2. Electrifying natural gas uses in buildings;
3. Electrifying transportation; and
4. Reducing demand for energy across all sectors.

San José supports any Commission action in this proceeding that will further the following City goals: increase clean energy options for San José's residents; expand San José's local control and local benefits; and improve energy affordability, safety, transparency, reliability, and resilience in the operation of electric and gas services for San José's residents.

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<sup>3</sup> According to the American FactFinder, San José's population was estimated to be 1,035,317 inhabitants by 2017. Unites States Census Bureau, American FactFinder, San José city, California, [https://factfinder.census.gov/faces/nav/jsf/pages/community\\_facts.xhtml](https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml) (last visited Feb. 2, 2019).

<sup>4</sup> See City of San José, *Climate Smart San José, A People-Centered Plan For A Low-Carbon City* (Feb. 2018), available at: <http://www.sanJoseca.gov/DocumentCenter/View/75035>.

In its Ruling, the Commission states that it will review alternatives to the current management and operational structures of electric and gas service in California.<sup>5</sup> The Ruling also describes several proposals and asks parties to provide recommendations. Many of those proposals will directly or indirectly impact the service that San José's residents receive from PG&E and present challenges and opportunities for the operation of SJCE.

## **II. PUBLICLY OWNED UTILITY, COOPERATIVE, COMMUNITY CHOICE AGGREGATION OR OTHER MODELS**

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

San José respectfully requests that the Commission explore the full range of options and work collaboratively to support local governments that decide to exercise their right to form CCAs, municipal utilities, co-ops, or any other locally controlled and governed entity formation and expansion.

- **Question: "Should PG&E be a 'wires-only company' that only provides electric distribution and transmission services with other entities providing generation services?"**

San José encourages the Commission to identify and evaluate all possible options that would increase clean energy options; expand local benefits; and improve energy affordability, safety, transparency, reliability, and resiliency in the operation of electric and gas services for San José's residents. San José would support the Commission's efforts to assess the benefits of a wires-only company as well as exploring municipalization options to the extent that those options further San José's objectives.

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<sup>5</sup> Ruling, p. 2.

- **Question: “If so, what entities should provide generation services?”**

San José strongly supports the Joint CCAs’ request that the Commission eliminate barriers for communities that desire to pursue full municipalization. In particular, the Commission should adopt a standard valuation method to provide to local governments pursuing municipalization or other public acquisition of the subject infrastructure a thorough, reasonable, and unredacted fair method to value PG&E’s power infrastructure. This will eliminate the need for multiple costly studies and uncertainty around how the infrastructure may be valued. San José also supports the data accessibility proposals set forth in the Joint CCAs’ comments to the extent that those proposals further the City goals described above.

In addition to the proposals included in the Joint CCAs’ comments, the Commission should order PG&E to sell any excess resource adequacy subject to a standardized contract. This action would ensure that market stability and that there is not an artificial shortage. The Commission should also address cost-shifting to CCA customers for resource adequacy obligations that require new CCAs to procure excess resource adequacy for load they are not yet serving. For instance, these new requirements have cost SJCE approximately \$1.3 million dollars in additional resource adequacy for the month of January 2019. Finally, the Commission should work collaboratively to support a new CCA’s ability to launch in the Spring or at other times that allow the launch of the CCA to be most successful.

The Commission should also strictly prohibit investor-owned utilities from using ratepayer or stockholder funds to lobby or influence public opinion, or otherwise disseminate information against local governments that are exploring municipalization or other public ownership of electric services.

### **III. SAN JOSÉ AGREES THAT THE PROPOSALS PRESENTED BY THE JOINT CCAs AND SAN JOSÉ ARE NECESSARY TO ACHIEVE THE RULING’S OBJECTIVES**

San José agrees that the proposals set forth in the Joint CCAs’ comments and the additional proposals presented herein are the best means to accomplish the following objectives outlined in the Ruling:

- **“The safety and reliability of utility service”**

As stated above, San José agrees with the Joint CCAs’ proposals to evaluate all options and foster the development of CCAs and municipal utilities in the retail electric service.

- **“The operational integrity and technical unity of components within PG&E’s gas and electric transmission and distribution systems”**

San José agrees with the Joint CCAs’ comment that no negative impacts on the operational integrity and technical unity of components within PG&E’s gas and electric transmission and distribution systems will result if PG&E becomes a “wires-only” company.

- **“The stability and adequacy of the utility workforce”**

San José agrees with the Joint CCAs’ comment that increasing local control over electric and natural gas services will lead to the creation of new local government jobs in connection with those services. San José encourages the Commission to adopt proposals that will promote local job creation and maintain stability to the workforce. San José also has experience working collaboratively with local unions and supports engagement with the unions to ensure utility workforce stability.

- **“The utility’s relationships with and role in local communities”**

San José agrees with the Joint CCAs’ comment that CCAs and municipal utilities foster close relationships between local communities and their retail electric service providers. San

José also agrees with the Joint CCAs' comment that because CCAs and municipal utilities follow democratic mandates and are accountable to the public they have pursued renewable and carbon-free energy goals at a faster rate than privately owned providers. San José strongly supports the Joint CCAs' request that the Commission create a pathway for communities to pursue full local control of retail generation services and urges the Commission to work with local governments to eliminate barriers for the establishment and/or expansion of CCAs and publicly owned utilities in PG&E's service territory.

- **“The ability of the state to implement its energy policies including the need to reduce greenhouse gas (GHG) emissions and local criteria pollutants in both the utility sector and the economy as a whole”**

San José agrees with the Joint CCAs' comment that CCAs play an important role in achieving the ambitious state goals for a decarbonized economy through voluntary actions set forth in Assembly Bill (“AB”) 32 and Senate Bills (“SB”) 100 and the renewable energy and reduction mandates of SB 350. San José echoes the Joint CCAs' comments that, if PG&E becomes a “wires-only” company, CCAs are the obvious leaders to continue the process of decarbonizing the state's electric supply based on (1) their historical record driving significant GHG reductions in California, and (2) their efforts to achieve de-carbonization beyond purchases of utility-scale renewable energy, which include innovative net energy metering, transportation electrification, energy efficiency, and community outreach programs, among others.

- **“The ability of the utility to meet financial challenges posed by large catastrophic events such as earthquakes and wildfires” and “[t]he utility’s ability to raise capital and purchase gas, electricity, equipment and services”**

San José supports all options that improve energy affordability, safety, transparency, reliability, and resilience. San José is particularly concerned about affordability issues related to PG&E’s ability to raise cost-effective capital to improve the safety and the reliability of the distribution system due to its financial challenges, which have been exacerbated by the company’s bankruptcy filing.

San José is also concerned about reliability and an increase in de-energization of the electric grid. De-energization events could have serious consequences to the many residents and businesses that operate in San José as well as critical services that benefit residents of San José and the larger Bay Area. Those services include operating the Norman Y. Mineta San José International Airport and the San José-Santa Clara Regional Wastewater Facility. Other critical City services that may also be impacted include the police and fire department. De-energization can also set back San José’s and the state’s renewable de-carbonization goals by requiring greater reliance on diesel back-up power to provide essential services to its habitants, which is inconsistent with the goals stated in AB 32 and SB 100 and the mandates of SB 350.

Importantly, San José is located at the heart of the Silicon Valley, and its booming technology industry depends on the operation of the grid in a reliable and safe fashion. Disruptions to the electric service have serious implications for the local economy. San José must ensure that all the services, including electricity, that are provided to its residents and businesses remain reliable. San José is ready to work with the Commission to explore all options that will improve grid reliability and resiliency.



- **“The cost of utility service”**

San José strongly agrees with the Joint CCAs’ comments that publicly owned utility costs are significantly lower than the average privately owned utility. CCAs and public agencies have several structural advantages, including access to lower cost financing and lower operating costs as they do not pay taxes, shareholder returns, or high executive salaries. San José also agrees with the Joint CCAs in that CCAs such as SJCE and municipal utilities use their resources effectively because they are public agencies that must operate with transparency and are accountable to the communities they serve. For instance, SJCE offers affordable rates to its customers, which are currently 1% below PG&E’s rates for its basic product,<sup>6</sup> while providing San José’s residents with increased renewable energy content at 45%.<sup>7</sup> In addition, SJCE is currently evaluating the implementation of several local programs that will provide several benefits to San José’s residents in the areas of transportation electrification, rate discounts for local manufacturing focused on job creation, and customer engagement through innovative data analytics.

#### **IV. CONCLUSION**

San José appreciates this opportunity to work with the Commission, the Joint CCAs, and the remaining parties in this proceeding to identify solutions that will ensure continuous, safe, and reliable gas and electricity, while increasing clean energy options; expanding local control and local benefits; and improving energy affordability, safety, transparency, reliability, and

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<sup>6</sup> See City of San José, Res. No. 78864 (authorizing SJCE to set rates for the GreenSource produce to be 1% below PG&E’s generation rates).

<sup>7</sup> See SCJE, *The Choice Is Yours*, <https://www.sanjosecleanenergy.org/your-choices> (last visited Feb. 13, 2019) (providing a breakdown of the GreenSource product, which includes 45% renewable energy).

resiliency in the operation of the electric and gas services for residents of San José and elsewhere in Northern California.

Respectfully submitted by:

RICHARD DOYLE  
City Attorney

*/s/ Luisa F. Elkins*

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LUISA F. ELKINS  
Senior Deputy City Attorney  
Office of the City Attorney  
200 East Santa Clara Street, 16th Floor  
San José, CA 95113-1905  
Tele: (408) 535-1953  
Email: [luisa.elkins@sanjoséca.gov](mailto:luisa.elkins@sanjoséca.gov)

*Attorneys for the City of San José*

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