

**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)

**REPLY COMMENTS OF THE UTILITY REFORM NETWORK ON THE  
PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE ALLEN**



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## **REPLY COMMENTS OF THE UTILITY REFORM NETWORK ON THE PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE ALLEN**

### **I. INTRODUCTION**

On May 7, 2019, the Commission issued the Proposed Decision of Administrative Law Judge (ALJ) Allen, titled *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* (PD). Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, The Utility Reform Network (TURN) respectfully submits these reply comments on the PD.

### **II. REPLY COMMENTS**

#### **A. The Commission Should Modify the PD to Provide Parties an Opportunity to Comment on the Sufficiency of PG&E's Submission Regarding the Qualifications of Members of the Boards of Directors.**

The PD directs Pacific Gas and Electric Company (PG&E) to provide certain information regarding the education, training, and experience of all PG&E and PG&E Corp. Board members via compliance filing in this proceeding.<sup>1</sup> As the PD explains, this information will support the Commission's examination of whether PG&E's appointment of the new directors to its Boards of Directors is consistent with D.18-11-050 and the effective implementation of the recommendations in the NorthStar Report regarding the Board of Directors.<sup>2</sup> The Office of Safety Advocates (OSA) requests modification of the

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<sup>1</sup> PD, pp. 3-4.

<sup>2</sup> PD, p. 3.

PD to provide parties with 30 days to comment on the sufficiency of the information submitted by PG&E in response to the PD.

TURN supports OSA's recommendation that the Commission afford parties the opportunity to comment on PG&E's submission regarding Board member qualifications. Providing parties with an opportunity to comment may provide the Commission with a more robust evidentiary record upon which to evaluate PG&E's compliance with the letter and spirit of D.18-11-050.

TURN recognizes that the Commission intends to "establish[] a CPUC Advisory Panel on Corporate Governance, consisting of a panel of experts," that can provide the Commission with additional expertise on matters relating to qualifications of boards of directors (among other things), as the PD indicates.<sup>3</sup> However, seeking advice from a panel of experts and inviting input from parties through formally filed comments are of distinct value. Formal participation of parties results in the evidentiary record upon which the Commission must base its decisions. In contrast, it is unclear how the Advisory Panel's input would impact the Commission's decisionmaking process.

Accordingly, TURN recommends that the Commission modify the PD to invite parties to comment on the sufficiency of PG&E's compliance filing regarding its Boards of Directors within 30 days of submission.

**B. The Commission Should Dismiss PG&E's Offer to Provide Additional Information and Render Unnecessary a "CPUC Advisory Panel" on Corporate Governance Issues.**

PG&E recommends that the Commission seek information from PG&E and other

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<sup>3</sup> PD, pp. 4-5.

parties to this proceeding to fill “perceived gaps in its knowledge or expertise,” rather than establish a “CPUC Advisory Panel” to obtain outside expert advice on corporate governance issues.<sup>4</sup> PG&E “expresses its continued willingness to provide the Commission with additional information in these and any other areas the Commission may need in order to perform its regulatory functions.”<sup>5</sup> The Commission should dismiss PG&E’s suggestion, as PG&E confuses apples with oranges.

The information provided by a regulated entity to the regulator is merely that: information. The regulator must exercise independent judgment in determining how to weigh that information, interpret and evaluate it, and act on it. The PD explains that the “Commission has limited in-house expertise on corporate governance issues” and concludes that the “Commission should obtain outside expert advice” on such issues.<sup>6</sup> If, as the PD suggests, the Commission believes that it requires outside expert advice to inform its judgment on the corporate governance issues presented in this proceeding, it would be wholly inappropriate for the Commission to look to PG&E to provide that expertise. PG&E is the regulated entity whose conduct – and flawed corporate culture – is at issue in this proceeding.

On the other hand, the Commission might also benefit from soliciting input on specific issues from parties through formally filed comments, should the Commission conclude that the record needs further development. For instance, the Commission might use the advice of a CPUC Advisory Panel to help shape the questions put forth to parties

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<sup>4</sup> PG&E, pp. 12-13.

<sup>5</sup> PG&E, p. 12.

<sup>6</sup> PD, Finding of Fact 4 and Conclusion of Law 2.

for comment or to inform the development of a Commission Staff Proposal which would then be subject to formal comment. But the Commission must dismiss PG&E's suggestion that it can relieve the Commission's need for outside expert advice to inform the Commission's exercise of judgment on the issues related to PG&E presented here.

**C. The Commission Should Clarify That It Intends to Issue One or More Additional Decisions Addressing Other Issues in This Phase of I.15-08-019.**

William B. Abrams urges the Commission to recognize the critical role played by the Commission's regulations – and particularly financial incentives tied to safety-related performance metrics – in focusing the attention of PG&E's Board of Directors on safety.<sup>7</sup> Mr. Abrams suggests that adding board members with safety experience will be insufficient to ensure a change in PG&E's safety culture without additional action by the Commission.<sup>8</sup>

TURN agrees with Mr. Abrams that the actions in the PD are not enough to achieve the goals of this investigation. Accordingly, TURN recommends that the Commission clarify that the proceeding remains open to explore the adoption of additional actions and directives to ensure that Californians currently served by PG&E are provided safe gas and electric service at just and reasonable rates, such as those identified in the Scoping Memo, issued December 21, 2018.<sup>9</sup> The Commission should indicate that it expects to issue one or more future decision(s) in this phase adopting additional actions and directives to this end. Currently, the PD only indicates that the

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<sup>7</sup> William B. Abrams, pp. 5-6, 8.

<sup>8</sup> William B. Abrams, pp. 6, 8.

<sup>9</sup> Assigned Commissioner's Scoping Memo and Ruling, issued Dec. 21, 2018, pp. 8-12.

“proceeding remains open.”<sup>10</sup>

### **III. CONCLUSION**

For the foregoing reasons, TURN respectfully recommends that the Commission adopt the PD with the modifications advocated herein.

Date: June 3, 2019

Respectfully submitted,

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<sup>10</sup> PD, p. 1 and Ordering Paragraph 4.