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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.

I.15-08-019

**COMMENTS OF THE  
COALITION OF CALIFORNIA UTILITY EMPLOYEES  
ON THE ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING**

February 13, 2019

Rachael Koss  
Miles F. Maurino  
Adams Broadwell Joseph & Cardozo  
601 Gateway Blvd., Suite 1000  
South San Francisco, CA 94080  
(650) 589-1660 Voice  
(650) 589-5062 Fax  
[rkoss@adamsbroadwell.com](mailto:rkoss@adamsbroadwell.com)  
[mmaurino@adamsbroadwell.com](mailto:mmaurino@adamsbroadwell.com)

Attorneys for Coalition of California  
Utility Employees

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The Coalition of California Utility Employees (CUE) submits these comments on the December 21, 2018 Assigned Commissioner's Scoping Memo and Ruling for the next phase of the 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.

The Scoping Memo states that the Commission will consider "alternatives to the current management and operational structures of providing electric and gas service in Northern California" and "determine whether there is a viable transition process from the status quo to any preferred alternative."<sup>1</sup> The Scoping Memo lists alternatives to consider, including changes to PG&E's corporate governance, corporate management and corporate structure, partial or whole municipalization of PG&E, eliminating PG&E's generation services, and placing conditions on PG&E's return on equity.

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<sup>1</sup> Scoping Memo, p. 2.

As an initial matter, considering alternatives to the current PG&E now seems futile in light of PG&E's bankruptcy. The bankruptcy court will have the first crack at determining whether and (if so) how PG&E should be restructured or dismembered. Until the details of a plan of reorganization are known, considering "alternatives to the current management and operational structures of providing electric and gas service in Northern California" and "whether there is a viable transition process from the status quo to any preferred alternative"<sup>2</sup> would be an exercise in speculation. The Commission should wait to consider alternatives to the current PG&E until the bankruptcy court determines if and how PG&E should be reorganized.

If the Commission proceeds with considering alternatives to the current PG&E, we strongly urge the Commission to reject reconstituting PG&E as a publicly owned utility in whole or in part. Municipalization is bad for (1) cities, (2) the State, (3) workers, (4) ratepayers and (5) wildfire victims.

First, municipalization would be very expensive for cities which would have to pay at least the book value of PG&E's distribution assets and perhaps the replacement cost less depreciation. The idea that some have expressed that PG&E could be acquired in whole or in part based on its current depressed market capitalization is simply wrong. Further, PG&E's assets are currently pledged collateral for PG&E's debtor in possession financing that the Commission approved, and those assets would be further encumbered by all other liabilities, including

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<sup>2</sup> Scoping Memo, p. 2.

liabilities to fire victims. In addition, inverse condemnation applies to cities, risking city bankruptcy if city-owned assets start a fire. It would also be very expensive for cities to find qualified employees in high housing cost cities. Finally, with municipalization, cities would lose property tax and franchise fees currently paid by PG&E. In sum, municipalization would be far too expensive and risky for any city.

Second, municipalization is bad for the State as a whole. Right now, PG&E can mobilize a huge workforce in emergencies. For example, after the 2017 North Bay wildfires, PG&E utilized 4,300 employees to quickly repair and restore utility service to its customers. A small utility would not be able to mobilize the workforce necessary to respond to catastrophic events. A large IOU is also necessary to implement policy for reliability, renewables and transportation electrification. In addition, municipalization is effectively another kind of deregulation; the POU would not be regulated by the State. Finally, with municipalization, the State would lose corporate income tax currently paid by PG&E. In sum, municipalization would be bad for the State.

Third, municipalization is bad for workers. They would lose job mobility, advancement opportunities and bargaining power in a smaller utility. Municipalization would also destroy the retirement plans of many workers. Many people would lose their pension if they lost their jobs. Although CUE's member unions represent the employees of almost all POUs in California and we support existing public power, we can easily see that a transition from a private to a publicly owned utility would be very damaging to utility employees.

Fourth, municipalization is bad for ratepayers. The mere threat of municipalization makes it harder for PG&E to exit bankruptcy; investors won't invest in a company whose assets are being sliced off, and the cost of equity and debt will therefore be higher. Overall costs would also go up because (1) municipalization would require many duplicate functions which are now centralized (e.g. 20 billing departments instead of one), and (2) losing the economy of scale means that both smaller utilities – post-municipalization PG&E and the publicly owned utility – will have less purchasing power. Finally, municipalization would raise rates for rural residential customers who currently pay the same rate as urban customers even though they are much more expensive to serve. The places that would municipalize would naturally be the richer, urban areas that have lower fire risk, leaving the less affluent, rural, riskier areas as part of PG&E. The cost to serve the rural residential customers would no longer be spread amongst all customers and, therefore, the rates for rural residential customers would go up.

Finally, municipalization would be bad for future wildfire victims. Small publicly owned utilities would not be able to afford to pay wildfire victims. Moreover, a smaller utility would similarly not be able to absorb costs from wildfires and other catastrophic events, or even modest-sized events.

In short, municipalization is not the solution to the Commission's PG&E woes. Municipalization poses substantial risks and harms that will touch cities, the State, workers, ratepayers and wildfire victims. We strongly urge the Commission to reject municipalization as an alternative to the current PG&E.

Dated: February 13, 2019

Respectfully submitted,

/s/

Rachael Koss

Miles F. Maurino

Adams Broadwell Joseph & Cardozo

601 Gateway Blvd., Suite 1000

South San Francisco, CA 94080

(650) 589-1660 Voice

(650) 589-5062 Fax

[rkoss@adamsbroadwell.com](mailto:rkoss@adamsbroadwell.com)

[mmaurino@adamsbroadwell.com](mailto:mmaurino@adamsbroadwell.com)

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