



**REGULAR MEETING of the Executive Committee of the
Peninsula Clean Energy Authority (PCEA)
Monday, December 9, 2019
8:00 a.m.**

Peninsula Clean Energy, 2075 Woodside Road,
Redwood City, CA 94061

Supplemental Agenda Packet items. Please find attached:

REGULAR AGENDA

- Item No. 5 Review Proposed Policy Principles for PG&E Reorganization (Discussion)
 1. Customer-Owned Utility Operating Principles (from Mayor Liccardo)
 2. Proposed Policy Principles for PG&E Reorganization (from MCE Board)
 3. Proposed Core Principles for Advocacy Relating to the Electric Transmission and Distribution Grid (developed by SCP Board)
 4. Customer-Owned Utility Operating Principles (proposed edits from PCE staff)



**PENINSULA CLEAN ENERGY
JPA Board Correspondence**

DATE: December 5, 2019
COMMITTEE MEETING DATE: December 9, 2019
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: None

TO: Honorable Peninsula Clean Energy Authority Executive Committee
FROM: Jan Pepper, Chief Executive Officer
SUBJECT: Review Proposed Policy Principles for PG&E Reorganization
(Discussion)

BACKGROUND:

At the November 21, 2019 Peninsula Clean Energy Board Meeting, Board members were provided with a number of documents regarding a publicly-owned option for the future of PG&E when it emerges from bankruptcy (<https://www.peninsulacleanenergy.com/wp-content/uploads/2019/11/Item-6-PGE-Bankruptcy-handout-packet.pdf>). The Board asked staff to provide draft principles to guide its discussion and development of PCE's own publicly-owned option principles. As background information on work others have done in this area, attached are sets of principles developed by:

- 1) Attachment 1: Sam Liccardo, Mayor of San Jose, who is leading an effort to have PG&E re-emerge as a publicly-owned entity
- 2) Attachment 2: Board policy principles developed by the board of Marin Clean Energy (MCE)
- 3) Attachment 3: Board policy principles developed by the board of Sonoma Clean Power (SCP)

PCE staff is proposing principles based on the principles proposed by San Jose, with proposed edits to those principles highlighted in yellow in the attached document (Attachment 4).

Staff is seeking input from the Executive Committee on these proposed principles, which will then be presented to the PCE Board at the December board meeting.

Attachment 1

Sent by Sam Liccardo, Mayor of San Jose, December 4, 2019

Customer-Owned Utility Operating Principles

Geographic Inclusion and Equity

- The customer-owned utility will not seek to sever any geographic portion of the current PG&E service area.
- Governance and operations will prioritize ensuring that no disparate negative impact is borne by any specific region, county, or city, as a result of the transformation of the utility from investor-owned to customer-owned.

Governing Board Responsibilities & Selection Process

- The fiduciary duty of the Governing Board will be to the customer-owners.
- Governing Board will assume ratemaking and capitalization responsibilities in place of CPUC regulation.
- Interim Governing Board nominees will be presented in the Bankruptcy Process.
- Selection of Governing Board members will be through a two-step process, with a nominating committee patterned on the CAISO selection process (see attached), vetting candidates for election.
- Governing Board will oversee the management of the organization, hire and/or retain senior management.
- Organization charter will require board members to meet qualification requirements of competence, independence, and specific skill sets (e.g., utility expertise, safety, cyber-security, infrastructure, management).

Labor and Workforce

- The customer-owned utility will preserve existing PG&E labor contracts and preserve the existing skilled workforce.
- The customer-owned utility will commit to maintaining and growing a skilled workforce that is focused on improving the safety and reliability of the utility's infrastructure, as well as improving customer service and affordability.

Power Supply Procurement

- The customer-owned utility will be subject to all State requirements requiring renewable energy procurement, energy efficiency initiatives, and emission reductions as they relate currently to the investor-owned utilities.
- Existing contracts with independent power producers would be maintained and respected.
- The customer-owned utility will support local efforts to administer and implement public purpose programs such as energy efficiency and renewable energy incentives programs funded through the public goods charge. Primary responsibility for power supply procurement in areas where qualified Community Choice Aggregators (CCA's) already procure power will shift to those qualified CCAs, who will become the provider of last resort (POLR) in their territory. "Qualified" CCAs will meet good utility practices, including adopting risk management policies and procedures, maintaining a bond rating, retaining adequate operating reserves, and establishing limits on uses of ratepayer funds. The customer-owned utility will serve the remaining customers whose communities choose not to form a CCA.
- The customer-owned utility will support new CCA formation and options to reduce costs for all ratepayers including options to reduce and stabilize the Power Charge Indifference Adjustment (PCIA) and other non-bypassable utility charges.

Public Accountability

- Notwithstanding “private” entity legal status, the customer-owned utility will operate as though it were a public agency with regard to transparency and accountability of decision-making. That includes:
 - Adherence with applicable public record and open meeting rules, including the Brown Act and Public Records Act.
 - Prohibitions on organized political contributions.
 - Outreach to underserved communities.
 - Goals for supplier diversity including women, minority, disabled veteran, and LGBTQ contracting and employment.
 - And other important public policy objectives.

Rate & Credit Quality

- The customer-owned utility will be committed to low-cost financing for capital investments needed to maintain the grid, adhere to safety and reliability standards, realize energy policy objectives, and improve customer affordability.
- By charter, the organization will be required to maintain investment-grade credit quality.
- The current balance of rate allocation between urban and rural customers will be maintained.
- The customer-owned utility will commit to ensuring continued rate discounts for low-income residents (through the CARE program and similar initiatives).
- The customer-owned utility will continue to offer the same Net Energy Metering (NEM) rates for customers with on-site solar as did PG&E. The customer-owned utility will fully grandfather NEM rates for existing NEM customers and any future changes to NEM will apply only prospectively for new NEM installations.
- As a not-for-profit, rates will not include any profit. Rates will be set to maintain adequate reserves and all excess revenues will be re-invested into the communities served by the customer-owned utility.

Safety and Response

- The customer-owned utility will be subject to state agency standards and oversight relating to health, safety, and wildfire protection.
- The customer-owned utility will develop a transparent, prioritized capital investment plan to address infrastructure needs of both the distribution and transmission system to prevent wildfires, reduce Public Safety Power Shutoff (PSPS) events, and improve overall system reliability.
- Required Public Safety Power Shutoffs (PSPS) events will be based on best practices, with a transparent decision-making structure, emphasis on coordination with local first responder and emergency service agencies, and high-quality customer communication.
- The customer-owned utility will fully support the development of distributed energy generation and storage, including local micro-grids.

Attachment 2

From MCE Board meeting discussion of November 21, 2019

Proposed Policy Principles for PG&E Reorganization

- Safety Improvements
 - Aggressive vegetation management practices must be implemented immediately and verified on a biannual basis throughout the service area
 - Biannual inspections of transmission system should be required
 - Sectionalizing the grid should occur in order to limit the impact of PSPS events
 - Prioritizing the adoption of Distributed Energy Resources in partnership with Community Choice Aggregators to minimize need for high-voltage transmission lines
 - Improve safety enforcement should be employed by public agencies
 - PG&E should be split into affiliates and subsidiaries along functional and geographic lines
 - There should be a commitment to living wages and worker's rights
- Wildfire Liability Costs
 - Consider potential pathway to limit inverse condemnation liability rules for good actors
 - Ensure grid repair and capital improvement costs are shared across all of PG&E's currently existing service area
 - Ensure future fire liabilities for a period of ten years are shared across all of PG&E's currently existing service area
- Public Control and Transparency
 - PG&E should no longer function as an investor-owned utility and should transition to a consumer-owned cooperative such as a mutual benefit corporation. PG&E should be required to cooperate in the transition to the new structure.
 - Decision-making should occur primarily by elected or appointed officials subject to Brown Act and Public Records Act rules
 - Access to low cost of capital for public agencies should be leveraged for grid improvements
- Power Supply Procurement
 - PG&E should exit the generation business
 - Require the expeditious sale of PG&E's generation assets to create cash infusion and to avoid poor management of stranded assets

ATTACHMENT 3

PROPOSED CORE PRINCIPLES FOR ADVOCACY RELATING TO THE ELECTRIC TRANSMISSION AND DISTRIBUTION GRID (As developed by SCP Board, Dec 2019)

1. No region left behind

- (a) Grid infrastructure repair costs should be shared equitably across all of PG&E's existing territory (e.g., through ongoing bill fees)
- (b) Future fire liabilities shared across at least all of PG&E's existing territory (e.g., through state insurance)

2. Refocus regulator on safety and rates

- (a) Require CPUC to rebuild capacity to regulate safety (e.g., by hiring grid engineers and first responders)
- (b) Require CPUC to rebuild capacity to analyze and set investor-owned rates (e.g., by hiring accountants and financial auditors)
- (c) Ensure a significant majority of funding and staff at the CPUC are dedicated to safety and rates (e.g., set a minimum threshold for funding and staff at 90% of energy division budget and headcount) rather than the current focus on policy.

3. Financially capable of quickly repairing the grid

- (a) Able to raise the billions of dollars needed to replace or repair large portions of the transmission and distribution grid.

4. Maintain affordability

- (a) Low cost of capital. (Typical national utility cost of equity is between 7 and 9%. PG&E's current cost of equity is 12% with a request to raise to 16%.)
- (b) Remove profit motive OR structure to ensure a reasonable (e.g., 4% to 5%) profit.

5. Financial and Operational Transparency

- (a) Open book operation. All finances are 100% publicly disclosed. Budgeting and Operational decisions around maintenance and capital investments should be disclosed to the public.
- (b) Full-time auditor team works inside accounting department of for-profit utility with access to view all accounts and financial transactions.

6. Protect workers by preserving labor agreements and benefits

(a) Honor existing union contracts and pensions

7. Governance with strong public interest

DISCUSS: Given fiduciary responsibility of corporate boards chartered in Delaware, this may be a difficult to achieve for any for-profit model. Consider alternatives to this principle possibly relating to better public input and/or performance-based returns on investment.

Attachment 4

Customer-Owned Utility Operating Principles

Proposed PCE Edits to "San Jose" Customer-Owned Utility Operating Principles (dated Dec 6, 2019)

Geographic Inclusion and Equity

- The customer-owned utility will not seek to sever any geographic portion of the current PG&E service area.
- Governance and operations will prioritize ensuring that no disparate negative impact is borne by any specific region, county, or city, as a result of the transformation of the utility from investor-owned to customer-owned.

Governing Board Responsibilities & Selection Process

- The fiduciary duty of the Governing Board will be to the customer-owners.
- Governing Board will assume ratemaking and capitalization responsibilities in place of CPUC regulation.
- Interim Governing Board nominees will be presented in the Bankruptcy Process.
- Selection of Governing Board members will be through a two-step process, with a nominating committee patterned on the CAISO selection process (see attached), vetting candidates for election.
- Governing Board will oversee the management of the organization, hire and/or retain senior management.
- Organization charter will require board members to meet qualification requirements of competence, independence, and specific skill sets (e.g., utility expertise, safety, cyber-security, infrastructure, management).

Labor and Workforce

- The customer-owned utility will preserve existing PG&E labor contracts and preserve the existing skilled workforce.
- The customer-owned utility will commit to maintaining and growing a skilled workforce that is focused on improving the safety and reliability of the utility's infrastructure, as well as improving customer service and affordability.

Power Supply Procurement

- Primary responsibility for power supply procurement in areas where qualified Community Choice Aggregators (CCA's) already procure power will shift to those qualified CCAs, who will become the provider of last resort (POLR) in their territory. "Qualified" CCAs will meet good utility practices, including adopting risk management policies and procedures, maintaining a bond rating, retaining adequate operating reserves, and establishing limits on uses of ratepayer funds.
- The customer-owned utility will support new CCA formation over the next 5 years. The customer-owned utility will serve the remaining customers for those communities which choose not to form a CCA or join an existing CCA.
- The customer-owned utility will support options to reduce costs for all ratepayers including
- options to reduce, stabilize, and eventually phase out the Power Charge Indifference Adjustment (PCIA) and other non-bypassable utility charges.

The customer-owned utility will be subject to all State requirements requiring renewable energy procurement, energy efficiency initiatives, and emission reductions as they relate currently to the investor-owned utilities.

- Existing contracts with independent power producers would be maintained and respected.
- The customer-owned utility will support local efforts to administer and implement public purpose programs such as energy efficiency and renewable energy incentives programs funded through the public goods charge.

Public Accountability

- Notwithstanding “private” entity legal status, the customer-owned utility will operate as though it were a public agency with regard to transparency and accountability of decision-making. That includes:
 - Adherence with applicable public record and open meeting rules, including the Brown Act and Public Records Act.
 - Prohibitions on organized political contributions.
 - Outreach to underserved communities.
 - Goals for supplier diversity including women, minority, disabled veteran, and LGBTQ contracting and employment.
 - And other important public policy objectives.

Rate & Credit Quality

- The customer-owned utility will be committed to low-cost financing for capital investments needed to maintain the grid, adhere to safety and reliability standards, realize energy policy objectives, and improve customer affordability.
- By charter, the organization will be required to maintain investment-grade credit quality.
- The current balance of rate allocation between urban and rural customers will be maintained.
- The customer-owned utility will commit to ensuring continued rate discounts for low-income residents (through the CARE program and similar initiatives).
- The customer-owned utility will continue to offer the same Net Energy Metering (NEM) rates for customers with on-site solar as did PG&E. The customer-owned utility will fully grandfather NEM rates for existing NEM customers and any future changes to NEM will apply only prospectively for new NEM installations.
- As a not-for-profit, rates will not include any profit. Rates will be set to maintain adequate reserves and all excess revenues will be re-invested into maintaining the grid, adhering to safety and reliability standards, and reducing customer costs.

Safety and Response

- The customer-owned utility will be subject to state agency standards and oversight relating to health, safety, and wildfire protection.
- The customer-owned utility will develop a transparent, prioritized capital investment plan to address infrastructure needs of both the distribution and transmission system to prevent wildfires, reduce, and ultimately eliminate, Public Safety Power Shutoff (PSPS) events, and improve overall system reliability.
- Required Public Safety Power Shutoffs (PSPS) events will be based on best practices, with a transparent decision-making structure, emphasis on coordination with local first responder and emergency service agencies, and high-quality customer communication.
- The customer-owned utility will fully support the development of distributed energy generation and storage by CCAs and other third parties, including local micro-grids.