

November 4, 2019

Hon. Marybel Batjer, President
Hon. Martha Guzman Aceves
Hon. Liane M. Randolph
Hon. Clifford Rechtschaffen
Hon. Genevieve Shiroma

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

President Batjer and Commissioners:

RE: Critical Matters Related to the PG&E Bankruptcy

As local leaders across Northern and Central California, collectively representing more than 5 million residents, we write to you about a matter vital to the safety and quality of life of the communities we serve. While our immediate attention focuses on the recovery of our neighbors and communities from recent tragic fires and power shut-offs, we have serious concerns about whatever emerges from the bankruptcy of Pacific Gas and Electric Company and its parent, PG&E Corporation. We write in our individual capacities as elected and appointed leaders, but as our coalition of local leaders grows in the weeks ahead, we will advocate these positions with our boards and councils as well, and seek their support.

Both the federal bankruptcy code and state law invest the California Public Utilities Commission with a responsibility for approving any Plan of Reorganization for those entities. The Bankruptcy Court may not confirm such a Plan if it involves any rate change (as is the likely case) without this Commission's assent, while recently-enacted state law establishes your approval as a necessary predicate for the emergent entity to have access to the Wildfire Fund. The Commission now plays an essential part in the restoration of Northern California's incumbent utility to a position where it can provide safe, reliable, and affordable power to our citizens.

At present, the Commission is considering the scope of its review. It is focusing primarily on the two plans before it, developed in the Chapter 11 proceeding by competing financial interests. One, from the companies themselves, reflects the current driving forces that govern PG&E, namely financial entities that purchased controlling equity interests as the crisis unfolded. The other is the product of distressed asset bondholders. Both vie for ultimate control, and both reflect a short-term desire to maximize financial gain for their proponents. Neither plan addresses the three key matters that we believe are of utmost importance. They are:

First, the discussions so far have been almost entirely devoid of any consideration of whether PG&E can emerge under either plan as a viable, credit-worthy entity. The bankruptcy code requires that the reorganized PG&E be a feasible, financially stable enterprise, able to perform its functions for the long term. Under Section 1129 (a)(11) of the Bankruptcy Code, the Court

may not confirm a Plan that does not meet this standard. Even without that mandate, as a matter of public policy, this should be a primary consideration. Rather, the proceedings appear dominated so far by a pitched battle between Wall Street titans for control of the bankruptcy process, control of the company, and the ability to control exit financing. This is merely spectacle, without regard for what will be left behind when the financial players inevitably leave the scene.

Second, the scope of review must include consideration of whether the reorganization plans before you address any of the organic operational issues that have plagued this company to the great detriment of its customers. The public interest cannot be swept aside in the name of merely addressing the bankruptcy exit. The Plan of Reorganization must substantially improve the company's operational footing — boosting its capacity to deliver electricity and gas that meets its customers' reasonable expectations for reliable service, while remaining solvent. This requires aligning the financial interest of the company with the public interest — for focused investment in safe, resilient, well-maintained, and sustainable infrastructure.

So far, neither Plan before you posits a vision for a reorganized PG&E that will address those operational issues.

Third, the Commission has indicated that as part of its review, it will examine “structural” issues involving PG&E's governance. We urge you to embrace this aspect of your review broadly and incisively.

Recently, Governor Newsom declared that “when they come out of bankruptcy, [PG&E] has to be a completely re-imagined company.” We agree. That reimagining must begin now, as part of your review.

In a growing coalition of local community leaders, we are developing a proposed structural change for PG&E that addresses all three of these key elements. Based on a foundation currently in the Public Utilities Code, we will propose transforming PG&E into a mutual benefit corporation – in essence, a cooperative owned by its customers.

We propose a customer-owned utility for three primary reasons. The most compelling rationale is that PG&E correctly estimates it must invest tens of billions of dollars over the next decade for system hardening, wildfire protection and cyber-security. A mutualized PG&E can raise capital from a broad pool of debt financing in amounts substantially greater than can an investor-owned PG&E, and at much lower cost. A customer-owned utility can operate without the burdens of paying dividends to shareholders, and exempt from federal taxation. As a result, a cooperative financial structure will save ratepayers many billions of dollars in financing costs over this next decade. A customer-owned PG&E will better focus its scarce dollars on long-neglected maintenance, repairs, and capital upgrade, and mitigating some part of the substantial upward pressure on rates.

Next, a customer-owned utility structure can be accomplished through a Chapter 11 Plan, with results far superior to those that would be seen from the two plans currently under consideration.

Finally, the customer-owned utility structure would allow PG&E to begin the process of restoring public confidence, in part by allowing the public to have greater role in determining decisions that increasingly have come to define matters of life and death. To the extent that the public continues to believe that a profit motive has dominated PG&E's decision making, the enterprise will never regain the trust of its customers, its regulators, and public policy-makers. It is time to pass control of the company from geographically distant investors to its customers.

Although recent actions bring the urgency of change into sharp relief, we do not pursue this option out of mere anger or angst. Rather, the moment compels PG&E's transformation. AB 1054 was a response to the realization that customers will be called upon to bear billions of dollars of costs associated with wildfire recovery and payment of claims. We face the need for a completely re-engineered and reconstructed system to adapt to the realities of climate change and poorly maintained infrastructure. PG&E cannot meet these challenges if it stumbles out of bankruptcy, barely able to raise capital, and suffering prohibitive costs.

There is a better way, and we want you to consider it. Your proceeding is that opportunity. We urge that it not be a cramped or limited exercise, focused solely on getting through the current Chapter 11 case.

We stand ready to participate in these proceedings, and to work with you. However, we again urge that the scope of your inquiry must address these broader and compelling matters that go well beyond the immediate desire to simply get through the bankruptcy proceeding. The Commission must do more than approve a Plan – any Plan – merely so that the bankruptcy can be concluded. This situation requires a full and comprehensive effort to chart a sustainable course for the future of PG&E, one that will serve the interests of its customers, and position the company to meet the challenges we will face from a changing climate.

Signed:

Mayor Sam Liccardo, City of San José
Mayor Darryl Steinberg, City of Sacramento
Mayor Libby Schaaf, City of Oakland
Mayor Michael Tubbs, City of Stockton
Mayor Ted Brandvold, City of Modesto
Mayor Steve Ly, City of Elk Grove
Mayor Barbara Halliday, City of Hayward
Mayor Larry Klein, City of Sunnyvale
Mayor Jesse Arreguin, City of Berkeley
Mayor Tom Butt, City of Richmond
Mayor Drew Bessinger, City of Clovis
Mayor Randall Stone, City of Chico
Mayor Julie Winter, City of Redding
Mayor Ian Bain, City of Redwood City
Mayor Brett Lee, City of Davis
Mayor Martine Watkins, City of Santa Cruz

President Carole Groom, San Mateo County
Board of Supervisors
Chair Ryan Coonerty, Santa Cruz County
Board of Supervisors
Chair Kate Sears, Marin County Board of
Supervisors
Chair Don Saylor, Yolo County Board of
Supervisors
Chair Mark Medina, San Benito County Board
of Supervisors

Mayor Teresa Barrett, City of Petaluma
Mayor Heidi Harmon, City of San Luis Obispo
Mayor Dominic Foppoli, City of Windsor
Mayor Jack Dilles, City of Scotts Valley
Mayor Amy Harrington, City of Sonoma
Mayor John Dell'Osso, City of Cotati

cc:

Hon. Gavin Newsom, Governor
Hon. Toni G. Atkins, President Pro Tem, California State Senate
Hon. Anthony Rendon, Speaker of the California Assembly
Hon. Ben Hueso, Chair Senate Committee on Energy, Utilities & Communications
Hon. John M.W. Moorlach, Vice Chair Senate Committee on Energy, Utilities &
Communications
Hon. Chris R. Holden, Chair Assembly Committee on Utilities & Energy
Hon. Jim Patterson, Vice Chair Assembly Committee on Utilities & Energy
Administrative Law Judge Peter Allen
Service List I.19-09-016

Note: San José Mayor Sam Liccardo will hold a media availability at 12:15 p.m. at San José City Hall. Please contact Rachel (408-712-9149) if you would like to attend.

FOR IMMEDIATE RELEASE

Media Contact:

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Leaders Representing Over 5 Million Californians Call on CPUC to Make PG&E Customer-Owned

Leaders write State's Public Utilities Commission urging to restructure PG&E into a customer-owned utility — aligning PG&E with customer interests instead of investors

San José, Calif. (November 5, 2019) – A coalition of leaders from many of the largest California cities served by Pacific Gas and Electric (PG&E) sent a letter to the California Public Utilities Commission (CPUC), urging exploration of restructuring the investor-owned utility into one owned by California customers. The coalition is led by San José Mayor Sam Liccardo, whose city is the largest in California that is served by PG&E.

The leaders endorsed a proposal for a customer-owned utility ahead of a CPUC review of proposed plans for PG&E's reorganization under consideration in bankruptcy court. Federal bankruptcy code and state law require the CPUC to approve any such Plan of Reorganization for PG&E. The leaders argue that neither of the two plans currently proposed concretely address a vision for a reorganized PG&E that will adequately protect the public's interest and ensure safety, reliability, and affordability over the long-term.

Together, the Mayors and Supervisors write, "what has dominated the proceedings so far is simply a battle being waged between Wall Street titans for control of the bankruptcy process, control of the company, and the ability to control exit financing. This is merely spectacle, without regard for what will be left behind when the financial players inevitably leave the scene."

"This situation requires a full and comprehensive effort to chart a sustainable course for the future of PG&E, one that will serve the interests of its customers, and position the company to meet the challenges we will face from a changing climate."

Collectively representing over 5 million Californians, the leaders are proposing a not-for-profit, customer-owned utility for the following reasons:

1. PG&E correctly estimates it must invest tens of billions of dollars over the next decade -- assets they do not have -- for system hardening, wildfire protection and cyber-security:
 - a. A customer-owned PG&E can raise capital from a broad pool of debt financing at a much lower cost than a private investor-owned company.
 - b. A customer-owned utility can operate without the burdens of paying dividends to shareholders, and is exempt from federal taxation. As a result, a customer-owned financial structure will save ratepayers many billions of dollars in financing costs over this next decade.
 - c. A customer-owned PG&E will better focus its scarce dollars on long-neglected maintenance, repairs, and capital upgrade, and mitigating some part of the substantial upward pressure on utility rates.
2. On Friday, Governor Newsom called for a quick resolution to PG&E's bankruptcy process. Transforming PG&E's structure to a customer-owned utility can be accomplished now, while they are still bankruptcy, with results far superior to those that would be seen from the two plans currently under consideration.
3. The customer-owned structure would allow PG&E to begin the process of restoring public confidence, in part by allowing the public to have a greater role in determining decisions that increasingly have come to define matters of life and death. To the extent that the public continues to believe that that an investor profit motive has dominated PG&E's decision making, the enterprise will never regain the trust of its customers, its regulators, and public policy-makers. It is time to pass control of the company from geographically distant investors to its California customers.

The signatories of the letter are:

- Mayor Sam Liccardo, City of San José
- Mayor Darryl Steinberg, City of Sacramento
- Mayor Libby Schaaf, City of Oakland
- Mayor Michael Tubbs, City of Stockton
- Mayor Ted Brandvold, City of Modesto
- Mayor Steve Ly, City of Elk Grove
- Mayor Barbara Halliday, City of Hayward
- Mayor Larry Klein, City of Sunnyvale
- Mayor Jesse Arreguin, City of Berkeley
- Mayor Tom Butt, City of Richmond
- Mayor Drew Bessinger, City of Clovis
- Mayor Randall Stone, City of Chico
- Mayor Julie Winter, City of Redding
- Mayor Ian Bain, City of Redwood City
- Mayor Brett Lee, City of Davis
- Mayor Martine Watkins, City of Santa Cruz

- President Carole Groom, San Mateo County Board of Supervisors
- Chair Ryan Coonerty, Santa Cruz County Board of Supervisors
- Chair Kate Sears, Marin County Board of Supervisors
- Chair Don Saylor, Yolo County Board of Supervisors
- Chair Mark Medina, San Benito County Board of Supervisors
- Mayor Teresa Barrett, City of Petaluma
- Mayor Heidi Harmon, City of San Luis Obispo
- Mayor Dominic Foppoli, City of Windsor
- Mayor Jack Dilles, City of Scotts Valley
- Mayor Amy Harrington, City of Sonoma
- Mayor John Dell'Osso, City of Cotati

The full letter can be found [here](#).

Mayor Liccardo, San José

“With a customer-owned PG&E, we can align the company’s financial interests with the public interest, and restore reliable, safe utility service for our residents and businesses. I stand with local leaders representing more than 5 million Californians urging the company’s transformation, to put PG&E’s days of underinvestment, mismanagement, and negligence behind us.”

Mayor Libby Schaaf, Oakland

“Every resident in California deserves a reliable utility to deliver power safely and consistently. It’s time to remove PG&E’s investors from our process and take back control for us, the customers. Rather than reorganizing a failed company, I support exploring a new customer-owned utility, that prioritizes people over profits and creates a safe, consistent, power supply for all residents.”

Mayor Darrell Steinberg, Sacramento

"It is important to consider all options as we seek to balance the need to keep Californians safe while avoiding unacceptable mass disruptions in power," said Mayor Darrell Steinberg. "Public ownership is an option worth seriously examining."

Mayor Steve Ly, Elk Grove

“The proposal’s intent is to allow the public to have a greater role in decisions that have come to define matters of life and death. Additionally, this structure will provide an opportunity for PG&E to begin the restoration of public trust. The time has come to pass control of the company from remote investors to its local customers.”

Mayor Tom Butt, Richmond

“The current model for providing gas and especially electric services is simply not working. We need to explore alternatives. Many critical services, such as water, wastewater, fire, police, and transportation are successfully provided by public agencies or public-private partnerships.”

Mayor Michael Tubbs, Stockton

“With continued blackouts, this literally dark period is an opportunity to restructure PG&E by placing control of our power grid into the hands of our residents. Creating a customer-owned entity allows us to put people ahead of profits, safety ahead of dividends and local control ahead of corporate rule.”

Mayor Martine Watkins, Santa Cruz

“As our cities suffer under PG&E’s mismanagement, and California burns, it’s high time we pave a different path. I join my colleagues across northern California in urging the CPUC to transform PG&E into a customer-owned utility.”

Chair Ryan Coonerty, Santa Cruz County Board of Supervisors

“PG&E's focus needs to be on the health and vitality of Californians, not corporate profits. The people of California need to come first and that will never happen if PG&E is captured by hedge funds and investors. A customer-owned utility will properly align values and investment for the good of our communities.”

Mark Landman, Cotati Councilmember

“It’s time to stop paying credit card rates on fixing the grid. A customer-owned utility will help us afford to repair PG&E’s decades of neglect.”

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